EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Φ D 8523A

RUSSIA

Time for western help is now

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World News

Libya says it will charge two with Pan Am bombing

Libya says it will put on trial two of its nationals accused by Britain and the US of blowing up a Pan Am airliner over Lockerbie, Scotland, in 1988. The judge questioning the suspects said a guilty verdict could bring death sentences. Page 4

Croatian pessimism

The European Community-sponsored peace conference on Yugoslavia reconvenes today in The Hague but officials in the breakaway republic of Croatia are growing increasingly pessimistic about the EC's ability to end the civil war. Page 14

Mideast talks to resume

The second stage of Middle East peace talks will open in Washington tomorrow but Israeli negotiators are under instructions to remain only until Friday. Page 4

Hope for last hostages

A Lebanese Moslem leader said two German hostages, the last westerners held in Lebanon, will be freed this month in a deal involving two Shia militants jailed in Germany. But Bonn denied any deal.

Firebombs hit UK shops

Firebombs which caused damage to shops in Manchester and Blackpool, in north west England, are believed to have been planted by the Irish Republican Army. Page 6

Ulster appeal

A fresh appeal for the resumption of all-party talks on the future of Northern Ireland was made by the republic's foreign affairs minister, Gerry Collins.

Albanian food riots

Albanian police were given orders to shoot and the army distributed bread after two people died in food riots amid a deepening crisis. Food aid, page 6

Bhopal court ruling

An Indian court ordered Warren Anderson, former chairman of the US-based Union Carbide Corporation, to face trial in connection with the 1984 Bhopal gas disaster in which more than 3,000 died.

Ballot cold shoulder

Romanians turned their backs on a national ballot to endorse a new constitution for a multi-party presidential republic. Turnout was expected to be below 50 per cent.

President cancels trip

Zambian president Fredrick Chiluba cancelled a trip to Mozambique after a car accident in which his deputy was hurt and an aide was killed.

Rainforest project

A $1.5bn project to save the Amazonian rainforest may finally begin to take shape as a result of meetings under way in Geneva. Page 4

Global warming target

Negotiators from over 100 countries are in Geneva for two weeks to make another attempt to draft a climate change convention and set targets designed to combat global warming. Page 4

Businessmen missing

Two American businessmen have been reported missing near the Iraq-Kuwait border.

Storms hit Turkey

Storms raged through Turkey, closing the Dardanelles Strait to all except heavy-tonnage ships. Snow blanketed most of Greece with temperatures in Athens falling to -3 deg C.

Aids campaigner dies

Kimberly Bergalis, who campaigned for tough legislation after contracting Aids from her dentist, died from the disease at her home in Fort Pierce, Florida, aged 23.

Business Summary

Ultimatum to ferry workers issued by Sealink Stena

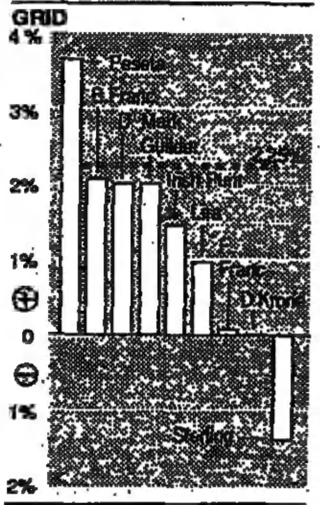
SEALINK STENA Line, which operates ferries cross the English Channel, will close unless the workforce accepts a drastic cost-cutting plan by the end of this month, the company's Swedish owner, Stena Line, warned. Page 14

MAXWELL: A new owner could be found very quickly for Britain's Daily Mirror newspaper, according to the administrator of the Maxwell family's financially-troubled private empire. Page 14

EUROPEAN Monetary System: The Spanish peseta remained at the top of the ERM grid last week, bolstered by high interest rates. The D-Mark was firm despite the Bundesbank's decision not to raise German rates. The French franc and Danish krona were weak, while sterling was still at the bottom of the system. Currencies, Page 27

EMS December 6, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

PAN AM: The last substantial assets of the collapsed US airline – its lucrative routes to Latin America and the Caribbean – are due to be auctioned at an unusual bankruptcy court hearing in New York this morning. Page 18

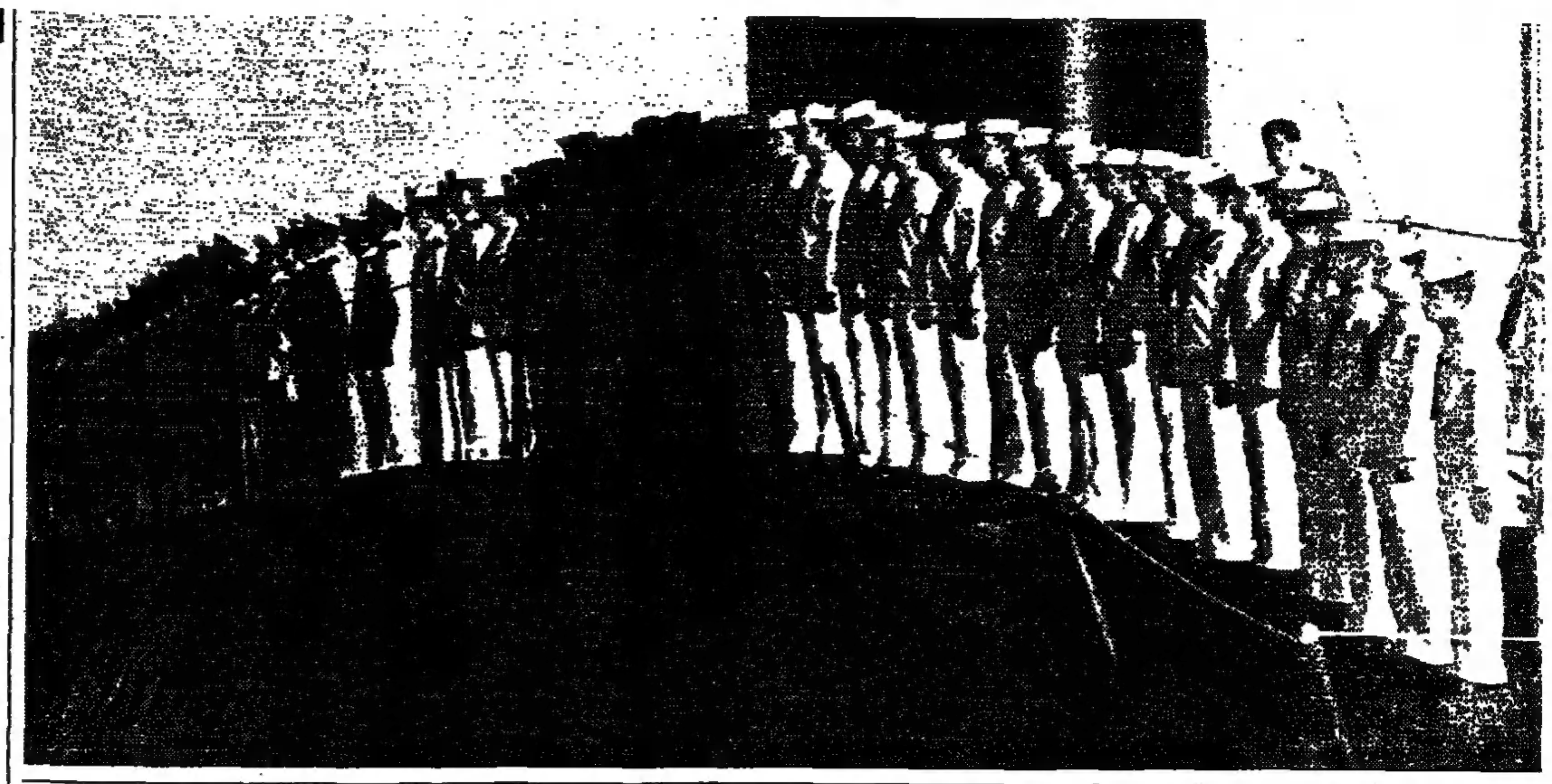
ROLLS ROYCE Motors, one of the last symbols of UK quality manufacturing still in British hands, could be sold to a foreign group. Its fate depends on talks between its parent, Vickers, and interested parties including BMW of Germany. Page 15

RIVA, Italian steel group, has beaten a German consortium led by Thyssen Stahl, Germany's largest steel producer, in the battle to buy two east German steel mills from the Treuhand agency. Page 18

BRITISH TELECOM's existing shareholders and 99 per cent of current applicants will be allocated shares in the government's sell-off of BT stock. A price of around 350p was expected to be announced before dealing in the shares starts in London today. Page 14

BRAZIL's National Development Bank has put four more state-owned companies on the privatisation list – steel groups Acominas, Cosipa and CSN, and the shipping group Lloyds Brasileiro. Page 18

GENERAL DYNAMICS, second biggest US defence group, launched its first commercial European satellite at the weekend. The satellite operator is Eutelsat, a European consortium of telephone companies. Page 6



US sailors line the deck of the nuclear submarine Nevada (left) as they pay their respects to those who died at Pearl Harbour 50 years ago

Bush lays the ghosts of Pearl Harbour

By Lionel Barber in Honolulu

US PRESIDENT George Bush this weekend took a conciliatory line with the Japanese over the memory of Pearl Harbour, but stood firm with them on trade issues ahead of a planned tour of the Far East.

"World War Two is over. It's history," Mr Bush said on the 50th anniversary of the bombing of Pearl Harbour, the devastating Japanese assault which drew the US into the war in December 1941. "We

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Major and Kohl risk isolation at Maastricht

By Our Foreign and Political Staff in Maastricht

LEADERS of the European Community arrived in Maastricht last night and entered a final hectic round of bargaining ahead of today's historic two-day summit on European political and monetary union.

Britain signalled that it was prepared to consider a fresh compromise on the development of a European-wide foreign policy.

The move coincided with eve-of-summit efforts to settle Spain's insistent demands for a clear treaty commitment to give poorer countries more EC money. Prime Minister Felipe González was expected to seek this in meetings last night with Chancellor Helmut Kohl of Germany, as well as Prime Minister Ruud Lubbers, the summit's Dutch chairman.

An early solution to this problem, in the teeth of Spain's threat to veto the treaty, would put Britain – the country most at odds with its partners – under even greater pressure to make concessions.

Mr John Major, the British prime minister, believes that the chances of agreement on political and monetary union are only slightly better than 50-50.

UK officials say there are three main issues which could still scuttle the summit. One is Spain's call for "cohesion" money for the EC's poorer south. The other two, chiefly involving Britain, are an extension of the EC's powers over social policy and the treaty's long-term "federal" goal.

There were signs, however, that on foreign policy, another sensitive issue, Mr Major would consider a compromise. Britain's partners are seeking, at the very least, majority voting on the implementation of foreign policy decisions taken unanimously. But the move has so far been opposed by Mr Major because he fears the distinction between the substance and implementation of policy might become blurred.

The prime minister was said to be ready to consider majority voting if another stage was introduced to the voting procedure.

Under the suggested compromise, once a common EC action had been decided, there would be another unanimous decision to define in detail just what implementation measures would be decided by majority.

However, Mr Major was not the only leader under pressure as government heads geared up for today's vital meeting. Mr Kohl is virtually isolated in wanting more powers for the European Parliament than most fellow EC leaders want to concede, a German spokesman admitted last night.

German public opinion also seems increasingly worried about Mr Kohl giving up the D-Mark for a single currency. The German spokesman blamed his country's press for causing anxiety about something "which will not happen until the end of the century".

But Mr Lubbers claimed the only option was to succeed. "We are in a way prisoners, so we should reach an agreement anyhow," he said in a television interview. The Dutch prime minister indicated he would keep the leaders in session until they struck a deal.

Mr Jacques Delors, the Commission president who says he has come to Maastricht as a broker of compromises, took a strong federalist line.

Addressing some 1,000 European federalists, he recognised that leaders of the Twelve will probably hide the word "federal" under the table, but he called on them to keep alive their federal aspirations for the future.

Mr Major underlined his hopes of reaching an overall deal in an unprecedented series of newspaper articles written for publications in each of the 11 other Community states.

The articles stressed the UK's determination to remain at the "heart of Europe", but emphasised Mr Major's determination not to sign any treaties which created a centralised federal structure.

Finance ministers met last night over dinner to discuss monetary union which will be the first item on the leaders' agenda this morning.

Pages 2 and 3
- Major under scrutiny from critics at home
- Leaders reminded of single market goal
- Agreement on Emu begins tough journey
- East Europeans fear delays
- Federalist faithful give Delors hero's welcome

Page 13
- Little Englanders and good Europeans

US jobs figures show 'double-dip' recession likely

By Michael Prowse in Washington

THE SHARP DROP in US employment figures last week was evidence that the economy was heading for the feared "double dip" recession, Senator Lloyd Bentsen, chairman of the Senate finance committee, said yesterday.

On Friday, the Federal Reserve responded to the worst employment figures since last winter by cutting the key federal funds rate by a quarter point to 4.5 per cent.

Mr Bentsen's concerns are shared by many economists in the private sector. But some economists argue that the US economy is not facing a "double dip" because it never recovered properly from the recession that began in July 1990. "I don't believe we ever came out of recession," said Mr Allen Sinai, chief economist at The Boston Group, economic consultancy.

Others still hope that the economy will be stagnant rather than decline and begin to show recovery in the spring.

The main question for markets is how quickly the Fed will sanction another cut in the discount rate, currently 4.5 per cent. The discount rate is the rate at which the Fed lends to commercial banks and sets a floor for interest rates throughout the economy.

Some analysts expect a move this week, but it could be delayed until the next meeting of the Fed's policy making open market committee later this month.

All sectors of the economy were affected by Friday's 241,000 drop in employment. But the headline figure may have slightly exaggerated the economy's current weakness. Construction was affected by unusually bad weather; a steep fall in retail employment reflected department stores' reluctance to hire temporary workers for the Christmas period.

The Labour Department also applied new seasonal adjustment factors last month: employment would have dropped 170,000 if October's numbers had been calculated on the same basis. But this is still a big drop. It suggests personal income will decline, putting further pressure on consumer spending, which was already declining in October.

The jobs report, in any case, was far from the first hint of renewed recession. Consumer confidence this month dropped to the lowest level in more than a decade. The Purchasing

Continued on Page 14

Key republics declare the death of the Soviet Union

By John Lloyd in Moscow, Chrystia Freeland in Kiev and Our Foreign Staff

THREE KEY Soviet republics – Russia, Belorussia and Ukraine – yesterday declared the Soviet Union dead and formed a new "commonwealth of independent states".

Their move appeared to deal a fatal blow to President Mikhail Gorbachev's attempts to reshape the Soviet Union into a loose confederation of 12 republics and raised serious doubts about his future.

The three core republics, which have 70 per cent of the Soviet population and much of its economic resources, plan to set up "co-ordinating organs" in Minsk, the Belorussian capital, replacing the Soviet capital in Moscow.

The agreement was signed by Mr Boris Yeltsin, the Russian president, Belorussian president Stanislav Shushkevich and newly elected President Leonid Kravchuk of Ukraine after a two day meeting at a village near Brest.

The Soviet Union "as a subject of international and geopolitical reality no longer exists," the three leaders declared. They said their new commonwealth was open to all members of the former Soviet Union, as well as other states that shared its aims and principles.

In Washington, a White House spokesman said Mr Yeltsin phoned President George Bush yesteday to inform him of the move. Asked about the impact on east-west relations, the spokesman said: "It would be premature to say until we know more about the accords."

Earlier, Mr James Baker, US secretary of state, said the Soviet Union was dead and warned that its disintegration could result in violence, with the added risk of the presence of nuclear weapons. He said it was still far from clear what would replace the Soviet Union.

Mr Gorbachev was expected today to make a last attempt to save some form of union at meetings with republican leaders. In an emotional appeal on Ukrainian television last night, he urged the republic to pull back from a path of separatism. They would face chaos and anarchy if they left the Soviet Union, he warned.

But the broadcast was followed by hostile commentaries, including one from a representative of the Rukh nationalist movement who described it as a "totalitarian speech".

The proposed commonwealth of Slavic states is likely to be very loose: Mr Yeltsin warned of "not demanding that one's partner do the impossible".

But the three republican leaders said they would preserve a united command over a "general military-strategic space" and single control over nuclear weapons. They would strive for liquidation of nuclear weapons and complete disarmament under international control.

Army chief sacked, Page 4

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THE MONDAY INTERVIEW

The past few months have been a period of enlightenment for Professor Luc Montagnier, Europe's leading Aids researcher. Results from his laboratory in Paris and other European research centres are leading to a new understanding of Aids. Page 32

FT SURVEYS THIS WEEK

NETHERLANDS: Fitting hosts for an all-important gathering. (See tomorrow's issue)

Major under scrutiny from critics at home

By Alison Smith

MR John Major, the British prime minister, flew to Maastricht yesterday to face one of the toughest tests of his 13-month premiership.

His political dilemma was illustrated by calls from the opposition and from Mr Edward Heath, the former prime minister, for him to make the summit a success, while speculation mounted that Mrs Margaret Thatcher, his predecessor, would undercut him by leading a rebellion against any Maastricht deal.

Both Labour and Liberal Democrat politicians said Mr Major was certain to sign up to a deal on European union, despite his insistence that if necessary he would stand firm against an agreement.

The logic of the opposition's argument was echoed by Mr Heath as he warned that the other EC states would not let Britain prevent the summit from being a success.

"That has got to govern the prime minister's conduct to a very considerable extent because he cannot afford to put himself in a position where everybody else says: 'Very well, we are making it a success, 11 of us are forging ahead and you are in the second line,'" Mr Heath said in a television interview yesterday.

Labour's Mr Gerald Kaufman, the opposition foreign affairs spokesman, said Mr Major should sign up to the social charter.

Labour is conscious that a conflict between Mr Major and Mrs Thatcher might not be bad news politically for the prime minister and will be at pains to emphasise its own criticisms of the government's stance.

Mr Paddy Ashdown, the Liberal Democrat leader, said: "Mr Major will huff and puff and talk tough in the House of Commons to keep his tiny right-wing rump of Euro-sceptics in line, but at the end of the day he knows it is in Britain's interests to sign at Maastricht and that is what he will do."

The strength of feeling among some Tories was illustrated yesterday by angry outbursts from backbenchers to the federalist speech made by Mr Jacques Delors, the European Commission president, in Maastricht.

Spokesman who wields unsung influence

By Philip Stephens, Political Editor, in Maastricht

FOR the next few days his message will be carried across the front pages and airwaves of Europe. Yet his face will be glimpsed only rarely and then by accident; for all except the 1,500 journalists covering the European summit at Maastricht he will be known only as Mr British Government Sources.

The young, self-effacing, economist charged with presenting Prime Minister John Major's case against the tide of federalism to a watching world is Mr Gus O'Donnell, the Downing Street press secretary. Mr Major brought him from the Treasury to replace the, by then, infamous Mr Bernard Ingham when he succeeded Mrs Margaret Thatcher a year ago.

Mr O'Donnell is trusted absolutely by the prime minister. During the two years they have worked together (the first during Mr Major's spell as Chancellor of the Exchequer) they have become instinctive friends. The press secretary shares knowledge of the government's most precious secrets.

He is as likely as any cabinet minister to be called at the weekend by Mr Major for advice on a matter of policy as well as of presentation. He works gruelling hours and has a bed at 10 Downing Street.

But the quaint tradition that says civil servants in Britain must be no more than anonymous ciphers of their political masters decrees that Mr O'Donnell should not have a public profile.

Breaching that code ensured that Mr Ingham's career in Whitehall had to end with Mrs Thatcher's.

When Mr O'Donnell took the post he was warned by Sir Robin Butler, the head of the civil service, not to tread the same path.

Tradition of British civil service decrees he should not have a public profile

So as he hosts the summit briefings which will keep the waiting media in touch with Mr Major's negotiating stance, Mr O'Donnell will preface each with a simple instruction: his words should be attributed only to that mysterious character, Mr British Government Sources. Television cameras and photographers will be barred, tape-recorders frowned upon.

The anonymity will belie the influence.

At 39, Mr O'Donnell has spent most of his career in the vaguely obscure world of economic forecasting. An economist by training – he has degrees from both Warwick university and Nuffield College, Oxford – his spell as the Chancellor's press secretary was meant to be a brief interlude in a high-flying, Whitehall career. He tells colleagues that he intends still to return to the more traditional mainstream.

He was appointed to the highly-selective group which became known as the war cabinet during the Gulf conflict earlier this year. Senior ministers looked on enviously.

Since then he has become intimately involved in the formulation as well as the presentation of policy. In the run-up to Maastricht he has frequently sat in on Mr Major's bilateral talks with other European leaders. His advice will be keenly sought if at five minutes to midnight tomorrow Mr Major is faced with the agonising choice between compromise and concession.

His style is as close to Mr Major's as that of Mr Ingham to Mrs Thatcher, perhaps because prime minister and press secretary share a similar south London background. Both are keen fans of soccer and cricket.

His inexperience has shown up in one or two presentational blunders during the past year but his deliberately straightforward approach to journalists has won Mr Major valuable credit among British journalists.

More generally, his instinctive sympathy with the prime minister's populist style has made for the television pictures which have bolstered Mr Major's personal opinion poll rating.

The face of Gus O'Donnell: glimpsed only rarely

EC leaders reminded of single market goal

By Andrew Hill in Brussels

EC LEADERS gathering today to discuss the long-term goal of European union will receive a sharp reminder of how much needs to be done before the short-term goal of a single European market can be achieved.

The 12 leaders' Maastricht dossiers will include the latest details of the Community's progress towards free movement of persons, goods, capital and labour. Commission officials hope some – notably Italy's Mr Giulio Andreotti – will be shamed into speeding the implementation of single market legislation.

With only 55 weeks left before the target date of January 1 1993, about 65 of the 282 barrier-flattening measures proposed six years ago still have to be agreed at ministerial level.

But implementation of agreed measures and the removal of border controls present more of a problem. By the end of last month, according to the Commission, Italy had turned only half of the relevant directives into national law. The top nation, Denmark, has pushed through 93 per cent.

The 1992 programme is not part of the formal agenda at Maastricht, but Commission officials believe a successful summit would give impetus to the single market plan; only four or five single market measures have been agreed since September.

But the Dutch presidency of the EC has scheduled four important meetings before the end of the year at which transport, finance, agriculture and internal market ministers could agree as many as 10 or 15 draft proposals, leaving about 50 to be finished off – or quietly dropped – before 1993.

Nuns argue for spiritual value as a firm foundation to single currency

THE Sisters of Charity of Maastricht yesterday gave solidly spiritual backing to the vision of a single European currency, writes David Marsh in Maastricht. It would make shopping easier across the border in Germany, said Ignace van Heyningen, the Dutch superior of the 1,200-strong religious order headquartered in a medieval convent behind the church of Saint Servatius in the town centre.

Europe, however, cannot live by the Ecu alone. Sister Marielene Lambe, a 66-year-old nun who specialises in geriatric care, added: "The single currency must be based on good, stable solid foundations of humanity combining different religions. This must be the binding element – otherwise we are nowhere."

The sisters have drawn up their own manifesto for the summit. Over a convent lunchtime snack of local Limburg apple pie, Sister Ignace said EC leaders should strengthen the European parliament and back the third world. "I'm all for the Ecu," she said.

But in view of mounting social problems – which the nuns do their best to heal through work with poor people from the Dutch and immigrant communities – she said she was "not optimistic" about where Europe was heading. "That's why we have to fight to make our voice heard. The summit is not just a question of power and money – it's about other values too."

On the problems facing Britain, the nuns show more benevolent understanding than will probably be displayed by most politicians. "England has always had its splendid isolation," said Sister Francis Verbeek, a sprightly 83-year-old who has been a nun since 1929.

The Sisters of Charity were founded by a Belgian nun in 1837. Of 750 sisters in the whole of the Netherlands (the next biggest section is in Indonesia), 200 live in Maastricht.

The average age is 76, and the last novice entered in 1965.

Since the fall of the Berlin Wall, the order has been extending its links towards eastern Europe. Sister Ignace admits, however, that the nuns could show more European spirit by renewing ties with sisters in Aachen across the border in Germany. "We used to have meetings with them, but they died," said Sister Francis.

INTERNATIONAL ECONOMIC INDICATORS: EUROPEAN COMMUNITY CONVERGENCE

This table gives yearly averages of the economic series most relevant to convergence for Emu. It covers all EC countries except Luxembourg, which is in a monetary union with Belgium, plus an average for the EC as a whole. Values for 1991 are European Commission forecasts. All figures are percentages.

GERMANY

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	4.0	10.4	3.9	−3.7	n.a.
1982	4.4	9.0	5.6	−3.3	n.a.
1983	3.3	7.9	6.9	−2.5	40.9
1984	2.0	7.8	7.1	−1.9	41.8
1985	2.2	6.9	7.1	−0.9	42.5
1986	3.1	5.9	6.3	−1.3	42.7
1987	2.0	5.8	6.2	−1.8	43.8
1988	1.6	6.1	6.1	−2.1	44.5
1989	2.6	7.0	5.5	+0.2	43.6
1990	3.4	8.9	5.1	−1.9	43.6
1991	4.3	8.6	4.8	−3.6	46.2

FRANCE

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	11.4	15.8	7.3	−1.9	n.a.
1982	12.0	15.6	8.0	−2.8	n.a.
1983	9.6	13.6	8.2	−3.1	33.2
1984	7.3	12.5	9.8	−2.8	29.5
1985	5.8	10.9	10.2	−2.9	31.8
1986	5.3	8.4	10.3	−2.7	33.9
1987	2.9	9.4	10.4	−1.9	34.2
1988	3.3	9.0	9.9	−1.8	35.9
1989	3.6	8.8	9.4	−1.2	36.0
1990	2.7	9.9	9.0	−1.6	36.6
1991	3.1	9.0	9.5	−1.5	37.2

ITALY

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	18.6	20.6	7.4	−11.4	n.a.
1982	17.1	20.9	8.0	−11.3	n.a.
1983	14.9	18.0	8.8	−10.6	72.0
1984	11.4	15.0	9.5	−11.6	77.2
1985	8.9	14.3	9.4	−12.5	84.0
1986	7.7	11.7	10.5	−11.7	88.5
1987	5.9	11.3	10.2	−11.0	92.9
1988	6.2	12.1	10.8	−10.9	96.1
1989	6.3	12.9	10.7	−10.1	96.9
1990	7.5	13.4	9.8	−10.6	98.6
1991	7.2	12.9	9.4	−9.9	101.2

UNITED KINGDOM

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	11.4	14.8	8.9	−2.6	n.a.
1982	7.6	12.7	10.3	−2.5	n.a.
1983	5.3	10.8	11.0	−3.3	59.1
1984	4.6	10.7	11.3	−4.0	60.4
1985	5.7	10.6	11.4	−2.8	59.0
1986	3.6	9.8	11.4	−2.4	58.1
1987	5.0	9.5	10.4	−1.3	56.1
1988	6.7	9.3	8.5	+1.1	51.0
1989	6.9	9.6	7.0	+1.3	45.7
1990	8.4	11.1	6.4	−0.7	42.8
1991	6.5	9.9	8.4	−1.9	43.8

SPAIN

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	18.6	15.8	14.4	−3.9	n.a.
1982	17.1	16.0	16.3	−5.6	n.a.
1983	14.9	16.9	17.7	−4.8	38.3
1984	10.9	16.5	20.6	−5.4	42.8
1985	8.5	13.4	21.8	−6.9	47.6
1986	11.1	11.4	21.1	−6.0	48.5
1987	5.9	12.8	20.4	−3.2	48.7
1988	5.6	11.8	19.3	−3.3	44.5
1989	6.9	13.6	17.1	−2.7	45.2
1990	7.3	14.7	16.1	−4.0	44.5
1991	6.6	12.4	15.9	−3.9	45.6

NETHERLANDS

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	5.5	12.2	8.9	−5.5	n.a.
1982	6.1	10.5	11.9	−7.1	n.a.
1983	1.9	8.8	12.4	−6.4	62.0
1984	1.9	8.6	12.3	−6.3	66.1
1985	1.8	7.3	10.5	−4.8	69.7
1986	0.5	6.4	10.2	−6.0	71.7
1987	−0.4	6.4	10.0	−6.6	75.3
1988	1.7	6.3	9.3	−5.2	77.4
1989	1.5	7.2	8.7	−5.2	77.6
1990	2.8	9.0	8.1	−5.3	78.6
1991	3.6	8.9	7.2	−4.4	78.4

BELGIUM

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	4.7	13.8	9.5	−12.8	n.a.
1982	7.1	13.4	11.2	−11.0	n.a.
1983	5.6	11.8	12.5	−11.3	107.0
1984	5.2	12.0	12.5	−9.0	112.3
1985	6.1	10.6	11.6	−8.5	119.5
1986	3.7	7.9	11.6	−9.1	123.7
1987	2.3	7.8	11.4	−7.1	131.3
1988	1.7	7.9	10.0	−6.9	132.2
1989	4.6	8.7	8.5	−6.7	129.9
1990	3.0	10.1	8.1	−5.6	127.3
1991	3.1	9.3	8.6	−6.3	129.4

PORTUGAL

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	17.6	n.a.	7.3	−9.3	n.a.
1982	20.7	n.a.	7.2	−10.4	n.a.
1983	24.6	n.a.	8.0	−9.0	56.0
1984	24.7	n.a.	8.7	−12.0	61.4
1985	21.7	25.4	8.8	−10.1	69.5
1986	20.5	17.9	8.2	−7.2	68.4
1987	11.2	15.4	6.8	−6.8	71.6
1988	11.6	14.2	5.8	−5.4	74.0
1989	12.6	14.9	4.8	−3.4	71.5
1990	15.0	16.8	4.6	−5.8	68.2
1991	14.6	17.1	4.0	−5.4	64.7

DENMARK

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	10.1	19.3	8.3	−6.9	n.a.
1982	10.6	20.5	8.9	−9.1	n.a.
1983	7.6	14.4	9.3	−7.2	74.3
1984	5.7	14.0	8.7	−4.1	78.0
1985	4.3	11.6	7.2	−2.0	74.6
1986	4.6	10.5	5.6	+3.4	67.2
1987	4.7	11.9	5.7	+2.4	63.9
1988	4.5	10.6	6.5	+0.5	64.0
1989	4.3	10.2	7.7	−0.5	63.3
1990	2.3	11.0	7.9	−1.5	66.4
1991	1.9	10.1	9.2	−1.7	67.2

GREECE

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	19.8	17.6	4.0	−11.0	n.a.
1982	25.1	15.4	5.8	−7.7	n.a.
1983	19.1	18.2	7.8	−8.3	44.3
1984	20.3	18.5	8.1	−10.0	53.2
1985	17.7	15.8	7.8	−13.8	62.5
1986	17.4	17.4	7.4	−12.6	65.3
1987	13.8	16.6	7.4	−12.2	71.5
1988	15.7	n.a.	7.6	−14.4	79.7
1989	14.0	n.a.	7.5	−18.8	85.1
1990	18.2	n.a.	7.5	−19.8	93.7
1991	20.0	n.a.	8.8	−17.3	96.4

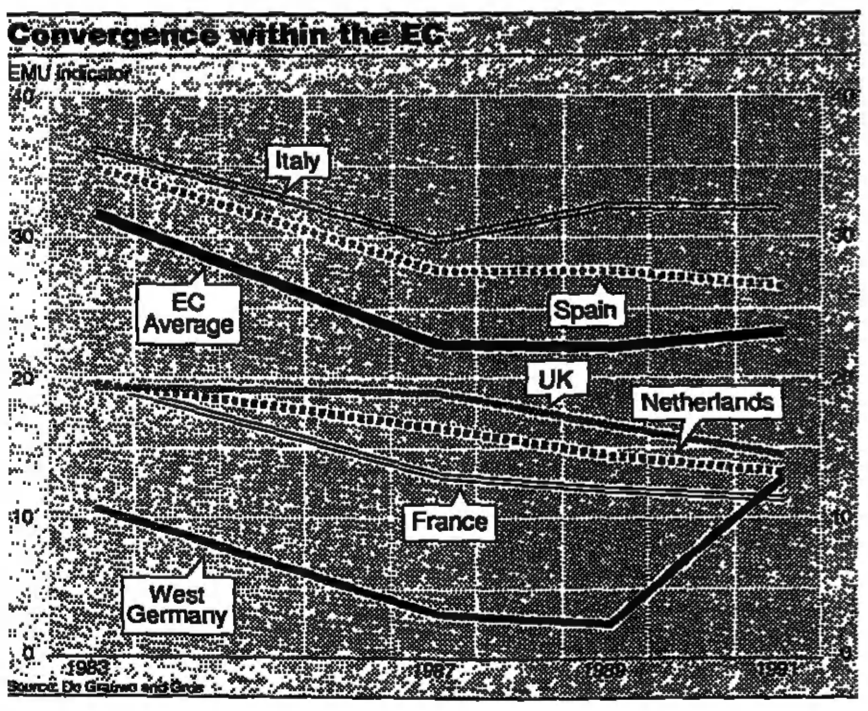
IRELAND

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	17.4	17.3	10.8	−13.4	n.a.
1982	15.2	17.0	12.5	−13.8	n.a.
1983	10.7	13.9	15.2	−11.8	97.4
1984	8.4	14.6	16.8	−9.8	102.4
1985	5.2	12.7	18.2	−11.2	104.7
1986	6.3	11.1	18.2	−11.2	116.7
1987	2.5	11.3	18.0	−9.1	118.5
1988	3.2	9.4	17.4	−5.2	115.4
1989	5.1	9.0	16.0	−3.5	104.7
1990	1.6	10.1	15.6	−3.6	103.0
1991	2.1	9.2	16.8	−4.1	102.8

EUROPEAN COMMUNITY

	Inflation	Long-term Interest Rate	Unemployment Rate	Govt Balance as % GDP	Debt as % GDP
1981	10.9	15.1	7.7	−5.3	n.a.
1982	10.6	14.3	9.0	−5.5	n.a.
1983	8.5	12.7	9.9	−5.3	51.6
1984	6.6	11.8	10.7	−5.3	54.8
1985	6.1	10.9	10.8	−5.2	57.3
1986	5.6	9.2	10.7	−4.8	58.5
1987	4.1	9.4	10.3	−4.2	59.8
1988	4.6	9.4	9.7	−3.7	59.7
1989	5.1	9.9	8.9	−2.9	59.0
1990	5.7	11.1	8.4	−4.1	60.3
1991	5.5	10.4	8.6	−4.4	61.6

German figures for 1991, except for the unemployment rate, refer to unified Germany. Previous years refer to West Germany only. **Inflation**: annual percentage growth in the GDP deflator. **Interest rates**: nominal long-term government bond yields. **Unemployment rate**: percentage of the civilian labour force. **Government balance**: the net lending (+) or net borrowing (−) of general government as a percentage of GDP. **Debt**: the gross debt of general government as a percentage of GDP. Source: European Commission.



Agreement on Emu treaty begins a tough journey

THE EXPECTED agreement this week on a treaty on economic and monetary union does not ensure it will happen. On the contrary, the draft contains what appear to be tough convergence criteria. These need to be met before the move into the third stage of Emu, which can only occur after 1996.

Yet, as both the table and chart suggest, there has been little sign of convergence in recent years. The main exception is the deterioration in the performance of the European Community's German bellwether.

In the draft treaty the criteria to be used when inspecting a member state's suitability for Emu are to be:

- a rate of inflation "that does not exceed that of the, at most, three best performing member states . . . by more than 1½ percentage points" for the previous year;
- a currency that "shall have respected the normal fluctuation margins provided for by the exchange rate mechanism of the EMS without severe tensions for at least the last two years";
- "a nominal long-term interest rate that does not exceed that of the, at most, three best performing member states . . . by more than 2 percentage points" in the previous year; and
- a fiscal policy that avoids "gross errors", the criteria being a ratio of planned or actual government deficit to gross domestic product of 3 per cent and a ratio of government debt to GDP of 60 per cent.

These criteria are not binding. Those on government finances, in particular, are guides for judgment. Nonetheless, only if seven countries (or six, or eight, the precise number still being undecided) are deemed to meet the criteria, may Emu proceed. Countries that fail to meet the criteria initially will need to do so before they may enter the portals of the European central bank.

In 1990, only France would have satisfied the conditions for Emu. On a generous interpretation, Denmark, Germany, and Ireland might have been added. Belgium would have failed on public finances, the UK would have failed on inflation and the exchange rate, Spain would have failed on inflation, the exchange rate and interest rates, and Portugal would have failed on everything except public debt. Italy and Greece would have failed on everything.

Worse, the one respect in which convergence has undoubtedly improved since 1987 has reflected the deteriorating performance of west Germany. This point, along with the Italian difficulties, is brought out in a recent paper by Mr Paul de Grauwe of the University of Leuven and Mr Daniel Gros of the Centre for European Policy Studies.*

Mr de Grauwe and Mr Gros calculate an Emu indicator (shown here for the six largest countries and the EC average). The indicator is the sum of the rate of inflation, the budget deficit as a percentage of GDP, the budget surplus as a percentage of GDP that is needed to bring the ratio of public debt to GDP to the EC average within 10 years, the rate of unemployment, and the current account as a percentage of GDP. The higher the indicator, argue the authors, the worse the country's performance.

Of the smaller countries, Denmark is expected to be close to the Netherlands in 1991, and Portugal, Belgium and Ireland close to Spain. Greece, with an indicator of 53.2, is in a class of its own.

Little convergence has occurred since 1987 and there has also been little improvement in levels of performance. Yet, of the large countries, only Italy's position looks hopeless, the main problem being its public finances. To converge on the EC's average ratio of public sector debt to GDP even over 10 years, its budget deficit needs to improve by a daunting 8 percentage points of GDP.

Either Italy manages an unprecedented budgetary transformation, or it defaults on its debts, or it will be excluded from Emu, or the criteria will be ignored. There are no other alternatives.

Martin Wolf

Paul de Grauwe and Daniel Gros, "Convergence and divergence in the Community's economy on the eve of economic and monetary union", in Setting European Community Priorities 1991-92, Peter Ludlow (ed), Centre for European Policy Studies, 1991.

THE WORLD VIEW

East Europeans fear delays in timetable for EC entry

By Judy Dempsey

FEARS are being voiced in eastern European countries that the Maastricht summit could slow their entry into the European Community if the 12 member states opt for deeper integration.

Poland, Hungary and Czechoslovakia hope that once the summit is out of the way, the EC will start serious work on formulating a long-term economic and political strategy involving central and eastern Europe. But Polish officials who, like their Hungarian and Czechoslovak counterparts, expect to sign an association agreement with the EC later this month, say Maastricht could delay the timetable for full entry.

"However, no matter what new rules are agreed at Maastricht, we will have to adapt," a Foreign Ministry official said. "Of course we believe in the free market and capitalism. We want Europe to be open and free in this respect, with few regulations. But somehow Europe after Maastricht will become more regulated and this will mean it will take longer for the Polish economy to adapt to that new climate."

Polish officials expressed concern about balancing the country's sovereignty with what they see as a trend towards foreign policy decisions becoming increasingly centralised in Brussels.

"We are now beginning to enjoy our freedom and independence. A deeper and more integrated Europe will either delay our entry or, when we do finally join the Community, our decision-making powers will be diluted. I suppose we will just have to learn new rules and adapt once again to the new political climate," the official said.

Hungary, in contrast, appears less concerned about any centralising or federalist tendencies emerging from the summit.

"Our place is in Europe. We want to join the Community. We do not underestimate the tasks facing us. If deepening precludes widening, then I would be very worried. However, the two trends are not mutually exclusive," a senior Foreign Ministry official said.

Indeed, he said Hungary would be prepared to give up part of its sovereignty. "I am thinking specifically about Europe adopting a common approach to foreign policy. This is good for the Hungarians, because since the collapse of the communist systems and the Warsaw Pact military alliance, the countries of eastern Europe now find themselves in a security vacuum."

Czechoslovakia is equally concerned about this vacuum, which partly explains why it hopes Maastricht will adopt a stronger and more united foreign policy for the entire region. A Foreign Ministry official said: "The end of the Cold War means Europe must come closer together on economic and political union. This is an inevitable and welcome process.

"We have no problems with accepting this. However, the deepening of this process must not preclude any widening."

Mr Hans-Dietrich Genscher, the German foreign minister, said yesterday that eastern Europe needed a successful outcome from the summit.

"If Maastricht leads to a disappointment, that could have negative effects on the European orientation of these countries," he said. "If a disappointing signal goes out from Maastricht, that would certainly raise the danger of nationalistic policies in eastern Europe."

Once Maastricht is over, east European officials believe the Community can no longer find excuses for not formulating a long-term political and security policy towards eastern Europe.

"All it requires is political will," a Polish diplomat said. "We are desperately hoping that the final Maastricht communiqué will make some concrete reference to eastern Europe to confirm that the process of deepening will not be an exclusivist process."

Japanese confident of their preparation

By Stefan Wagstyl in Tokyo

WITH THE 50th anniversary of the attack on Pearl Harbour dominating the news, the European summit is being given little attention in Tokyo.

The library of the Nihon Keizai Shimbun, Japan's daily business newspaper, records just seven references to Maastricht in selected newspapers in the whole of this year. As far as Japanese journalists are concerned the top European story has been the collapse of the financial empire of the late Robert Maxwell.

This is not to say Japanese businessmen, politicians and government officials are uninterested in the integration of the Community. Rather, they are confident they already understand the purpose of integration and have prepared for it in great detail. They see Maastricht as a milestone on a journey which they started some time ago.

Japanese officials and businessmen hope integration, including the plans to establish a common currency and single central bank, will boost economic growth in Europe by promoting greater efficiency.

But they are concerned about the possibility of an increase in protectionist policies in an integrated EC.

"If economic integration succeeds, it will revitalise Europe," says Mr Masaya Fujiwara, a Foreign Ministry official responsible for European affairs. "Our concern is that an integrated Europe should be open to outsiders."

Whatever their doubts, many Japanese businessmen have been preparing for integration since the mid-1980s. Japanese investment in Europe soared from \$3.3bn (£1.9bn) in 1986 to \$14bn in 1989, with a further \$13.3bn last year.

The total for 1991 will be lower as a credit squeeze in Japan has cut the supply of funds for such investments.

However, businessmen expect a continued steady flow of investments from smaller groups, including parts suppliers for the big car and electronics manufacturers.

US distracted by history

By George Graham in Washington

IF THIS European Community wanted the US to pay attention to its summit in Maastricht, it should have picked a different date.

Like the Japanese, Americans have been too involved in looking back 50 years to Pearl Harbour to spend much time looking forward to a European union that seems distinctly hypothetical from their side of the Atlantic.

While the Washington Post newspaper said the 12 EC countries were poised for "a bid to transform their bloc into the 21st century's superpower," it dismissed the thought that any grandiose political ideal might underpin the Maastricht summit. "The leaders of the 12 countries meeting in the Netherlands – especially the most powerful ones, Britain, France and Germany – see the economic and political unification of Europe as a way to restrain their rivals," it said.

The New York Times's only news report on the summit yesterday dealt with the pollution of the river Maas, which runs below the windows of the summit meeting room.

However, in an editorial comment the newspaper urged EC leaders to "define their needs narrowly, compromise at important junctures and push unification forward".

For the US administration, the hesitant march towards European union is observed with some distraction.

"It's being watched by the appropriate people with interest, but not with great alarm or concern," commented one official.

Mr James Baker, secretary of state, expressed cautious support for a united Europe in an interview last week with the Wall Street Journal. "The EC can contribute to a strong and stable Europe, and that is very much in the interests of the US," he said.

Mr Baker added a single European market was "something we would like to see completed, carried out to its full range – with the caveat that we've been expressing since it was first advanced as an idea, that we hope it is in fact a process that breaks down trade barriers, that liberalises trade, and does not create any kind of bloc or protectionism".

The US, he said, was quietly supporting the applications for EC membership of some countries but should not lecture the EC on who should be admitted as members, and when.

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Jacques Delors: Federalism is not a pornographic word

Federalist faithful give Delors a hero's welcome

By Robert Mauthner in Maastricht

MORE than 1,000 flag-waving and foot-stamping European federalists yesterday gave Mr Jacques Delors, the European Commission president, a hero's welcome as he arrived to proclaim his federalist faith in Maastricht on the eve of the summit.

Liberated from the constraints of EC Council and inter-governmental meetings, in which he has to watch every word in case it causes offence in this or that Community capital – usually London – Mr Delors treated his captive audience to a brand of passionate rhetoric rarely heard in the arid Brussels environment.

Indeed, many in the sports hall which served as the venue saw his performance as a trial run for the French political hustings where he is expected to make his mark in the not too distant future.

"Federalism is a guideline. It is not a pornographic word. You can speak it out loud," he thundered to the enthusiastic delegates bussed in from such far-flung places as Schleswig-Holstein, southern Italy and even Turkey. "It offers the possibility for ordinary citizens to participate in the common European enterprise."

Mr Delors did not hesitate to take a side-swipe at Britain, though he did not mention the country by name. "We have focused too much on a country that has said 'no. . . no. . . no'." And in an obvious reference to the probable erasure of the notorious "F" word from the political union treaty due to be concluded tomorrow, the Commission president expressed the hope that the EC leaders, "who will shamefacedly hide the word under the table", will at least maintain their federal aspirations.

Not content with ruffling British feathers on federalism, Mr Delors went on to paint a picture of a Community in sharp contrast to the UK Conservative party's view that national governments should remain responsible for social affairs. Stressing that the Community had not been created merely for states and private enterprise, he looked forward to "a Europe of the workers" which would defend the basic human rights of every worker.

Mr Delors, like Mr Ruud Lubbers, the Dutch prime minister and chairman of the European Council, who spoke after him, also underlined the need to make the EC more democratic through an extension of the European parliament's powers.

Mr Lubbers was presented with an appeal to the heads of government of the member states by the Union of European Federalists which called for joint legislative decision-making by the European parliament with the Council of Ministers, majority voting as a standard practice, the drafting by the parliament of a federal constitution for Europe and the submission of the European Commission's programme to a vote of confidence by the Parliament.

Israelis will leave on Friday

Mideast talks to resume in Washington

By Roger Matthews in Washington

THE SECOND stage of Middle East peace talks will open in Washington tomorrow after several weeks of procedural wrangling, Arab and Israeli negotiators finally agreed yesterday.

Israel's three negotiating teams flew into Washington yesterday but are under instructions to remain only until Friday, leaving little opportunity for discussion of substantive issues.

Mr Yitzhak Shamir, Israel's prime minister, refused to allow the talks to open last Wednesday, the date set by the US, in protest at what he saw as American attempts to dictate the pace and content of the peace process. In weekend interviews Mr Shamir also hinted that he might seek early general elections in Israel next year, which could cause a much more substantial delay to further talks.

The Arab teams from Syria, Lebanon and a joint Palestinian-Jordanian delegation agreed during a co-ordinating session on Saturday to be present at the State Department tomorrow.

They had earlier warned that today was not suitable because it marked the fourth anniversary of the start of the Palestinian uprising in the occupied West Bank and Gaza Strip. However, it is believed that if Israel was willing the Arabs would continue negotiations until the start of the Christmas holiday.

At the outset of the three sets of bilateral negotiations at the State Department tomorrow, Israel is expected to insist that after closing this session of talks they should resume either in or close to the Middle East. This is certain to be resisted by the Arab delegations, who welcome the close US involvement in the negotiations and would be happy to continue in Washington.

Israeli officials have hinted in the past few days that new proposals may be tabled this week offering the Palestinians living under occupation greater responsibility for the day-to-day administration of their lives but making no concessions on land.

While there may some Palestinian interest in the proposal, Syria is expected to stick by its insistence that Israel must at the outset concede the principle of exchanging land for peace, as set out in UN Security Council resolutions 242 and 338.

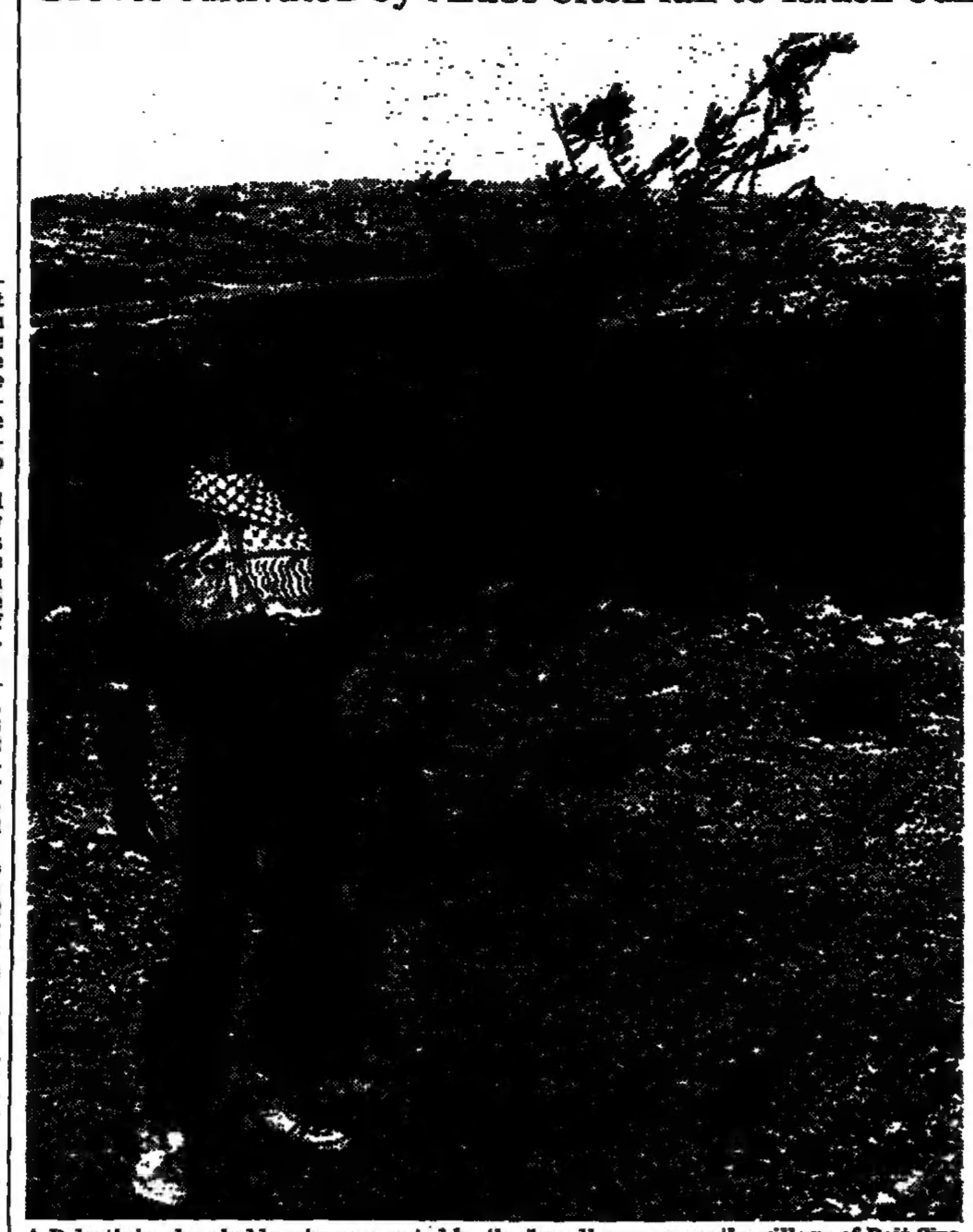
Syrian officials have also said they will not be willing to attend the talks on wider regional issues called for Moscow at the end of January unless Israel gives way on this point.

● Israel's cabinet said yesterday Jewish settlers could stay in houses they occupied in Arab East Jerusalem until the High Court makes a final ruling on the matter, Reuter reports from Jerusalem.

The decision comes despite recommendations from Israel's attorney general and the police, who say the settlers are a security threat.

Olive tree index of Palestinian anger

Groves cultivated by Arabs often fall to Israeli bulldozers, reports **Hugh Carnegy**



A Palestinian boy holds a tree uprooted by the Israeli army near the village of Beit Sira

TWO weeks ago, on November 24, an Israeli army squad came with a digger to a hill overlooking the West Bank village of Beit Sira, drove a track through an olive grove up to the top and cleared a site about the size of a small football pitch for a new military outpost.

Mahmoud Abdullah Samour and Youssef Mohammad Ein Khawi, the villagers who own the land, lost about 30 olive trees in the process.

They probably were not surprised. The frequent destruction of Palestinian-owned olive and fruit trees by the army and Jewish settlers has been one of the less publicised but most bitterly resented tactics used by the Israelis in the course of the intifada, the uprising against Israeli rule that marks its fourth anniversary today.

A couple of months earlier, about 30 trees were cut and bulldozed from an olive grove by the road running past Beit Sira after stones had been thrown from it at army vehicles. Before that, villagers say soldiers and men from the new settlement of Maccabbim, mushrooming across the road, destroyed about 25 trees close by the same spot.

"They came one evening without warning with two army jeeps, a bulldozer and a chain saw. The whole village watched," said Mustafa Taha Abu Safi, whose family owned the trees.

Thirty trees here and there for an area characterised by dozens of far-flung olive groves may not seem like much damage. But over time the numbers stack up, augmented by uprootings running into the thousands to make way for the accelerated programme of settlement and road building that Israel has undertaken in the West Bank and Gaza Strip over the past 18 months.

The Jerusalem Media and Communication Centre, a Palestinian information organisation which has tracked tree destruction on a case-by-case data base, says almost 122,500 trees have been uprooted or cut down since the beginning of 1988, 80 per cent of them olive trees. Some 30,000 have gone this year, double the number in 1990.

The olive is a potent symbol of land and identity to the Palestinians. "Every olive tree feeds one mouth," locals will say. Mohammad Khalil, brother of the Beit Sira Mukhtar, or village head, puts the value to a smallholder in more worldly terms.

Each mature olive tree, he says, yields 1 or 1½ 18kg drums of oil a year at a price of about 50 Jordanian dinars (£42) a drum. For a farmer losing 30 trees, that represents a loss of some £1,250 a year – more than twice average annual per capita GNP.

A village like Beit Sira can ill afford such losses. Its condition vividly illustrates why the Palestinians of the West Bank feel so squeezed by the 24-year-old Israeli occupation. It is hemmed in by Maccabbim and one of the many new roads cut through the West Bank to allow settlers more secure access to their settlements.

Mr Khalil says the village has lost most of its traditional lands to Maccabbim and the road. "In the 1950s and 1960s we used to plant all the land and no-one from the village worked outside. Now, because there is not enough land for each person to work on, many have to go out to work – mainly in Israel. But many of our men have been in prison and cannot get permits to work in Israel."

So the intifada is fed. The idle young men rebel against the army and the settlers. And the army and the settlers respond – sometimes with guns, but sometimes with bulldozers in the olive groves.

White House may break budget agreement

By George Graham in Washington

THE US administration is prepared to break the hard-won 1990 agreement to curb the rise in the budget deficit, but only if it can do so in a way that will boost the economy without creating panic in financial markets, an administration official said yesterday.

Mr Richard Darman, director of the Office of Management and Budget, said the budget agreement, which imposes tight restrictions on spending increases and tax reductions, "could be modified under certain circumstances, if it were done in a way that promised to increase growth and reduce the deficit."

Mr Darman has for the last week been leading the administration in a delicate pirouette between its desire for a package of tax cuts to stimulate the economy and its reluctance to abandon the discipline of the budget agreement.

Whenever administration officials say the agreement could be changed, US financial markets drive long-term interest rates up because they fear a surge in the budget deficit and a revival of inflation.

Mr Darman said the administration would have to complete its economic package this month in order to begin consultations with congressional leaders at the start of January. President George Bush is due to unveil the package in his State of the Union address at the end of January.

Union Carbide chief charged

An Indian court yesterday ordered the former chairman of US-based Union Carbide, Warren Anderson, to face trial in connection with the 1984 Bhopal gas disaster in which more than 3,800 people died, Reuter reports from Bhopal.

Bhopal chief magistrate Gopal Sharma issued an order saying Mr Anderson "committed an offence of culpable homicide, not amounting to murder, voluntarily causing grievous hurt by dangerous weapons or means... and the commission of such offences with criminal intention or knowledge."

ANC official to resign

Mr Chris Hani, one of the most powerful leaders of the African National Congress (ANC), is to leave his ANC position to become general secretary of the South African Communist party (SACP), Patti Waldmeir reports from Johannesburg.

Cuba trade ban supported

Senior US legislators have rejected suggestions from some of Cuba's neighbours that the 30-year trade embargo against the Caribbean island be lifted, Canute James reports from Miami. They say softening the trade embargo would prolong the life of the administration of President Fidel Castro.

Backing for Thai constitution

Thailand's military-appointed legislative assembly has overwhelmingly approved the country's controversial new constitution, paving the way for elections in March or April, Peter Ungphakorn writes from Bangkok.

US defence group sends up satellite

By Peter John at Cape Canaveral

GENERAL DYNAMICS, the second largest US defence group, has launched its first commercial European satellite.

Eutelsat, the European consortium of telephone companies which operates the satellite, said yesterday that the initial stages of the flight following Saturday's launch had gone smoothly and the satellite was expected to be in commercial use on January 15.

Eutelsat's whose main shareholders are France Telecom, BT of the UK, Telefonica of Spain and Deutsche Bundespost Telekom.

The launch on Saturday at Cape Canaveral, Florida, had a double significance for General Dynamics. Keen to break into the commercial market to offset the effects of a shrinking US defence budget, it suffered a blow this year when its first commercial adventure, placing a Japanese television satellite in orbit, had to be aborted in mid-flight.

The pressure on General Dynamics to recover its standing was increased because Saturday's rocket was a new, untried model. The 156ft craft, costing some Ecu60m (£42.8m) and based on an old intercontinental ballistic missile, is 12ft longer than its predecessor, has a new automatic navigation system and can carry a heavier load. It carried a Telecom satellite built by Aerospatiale of France for Ecu70m.

The satellite was released from its two-stage booster rocket somewhere near the west coast of Africa.

The launch marked a departure for Eutelsat as well. It has always dealt before with the French launcher Ariane.

Once the craft is running, its 16 channels will be used for business-to-business events such as video conferences, telephone links and, principally, television transmission.

Talks raise hopes for Amazonian rainforest project

By Christina Lamb in Rio de Janeiro

AN ambitious $1.5bn (£850m) project to save the Amazonian rainforest may finally begin to take shape as a result of meetings under way in Geneva.

The Brazilian government hopes the discussions between officials from the EC, the World Bank and Group of Seven leading industrial nations will result in the creation of a Rainforest Trust Fund to formalise the project proposed by Germany at the G7 summit last year.

The Amazonian Pilot Project will be the first time that first and third world countries have co-operated on a big environmental programme. It was supposed to be the centrepiece of next year's Earth Summit.

The Brazilian government submitted a programme to the G7 summit in London this summer but, with more pressing international problems on the agenda and member countries in recession, enthusiasm seemed to have dulled. Only $50m was approved, rather than the $250m Brazil was expecting, and meetings to discuss further financing have been postponed until now.

The US and Japan in particular have been reluctant to make commitments.

President Fernando Collor sent an angry letter to all seven heads of state, apparently receiving a reply only from Britain's John Major. He took advantage of a visit last month by Germany's Chancellor Helmut Kohl to lobby, and the resulting pressure from Germany and Britain led to this week's meeting.

To the government's embarrassment, the meeting has coincided with a scandal in Brazil's Health Ministry over the allocation of a massive order of umbrellas and bicycles at highly inflated prices to companies in the minister's home state. Mr Collor had ordered all purchases by the ministry suspended and the minister fled an interview in tears on Saturday when challenged over the issue. This has provoked questions at the Geneva meeting over the wisdom of donating to Brazil.

However Mr Marcos Azambuja, Brazil's deputy foreign minister, said yesterday: "After all the noise we've made we're hoping something will come out of this meeting though nothing radical. Otherwise the programme will be moribund."

Mr Collor has been particularly disappointed by the response of industrialised countries because of the turnaround in Brazilian environmental policy, for which he has received much domestic criticism for pandering to international opinion.

He is facing a storm over a decision last month to mark out an area the size of Portugal as a reserve for the remaining 9,800 Yanomami Indians. The decision, taken despite military resistance, was widely praised abroad but has led to a flood of protests from politicians from the area who say the reserve is too large and will lead to the creation of an independent Yanomami nation, jeopardising national security.

Several court actions have been launched and politicians are threatening to block congressional approval.

New bid to fight global warming

By Frances Williams in Geneva

NEGOTIATORS from over 100 countries will make another attempt over the next two weeks in Geneva to draft a climate change convention designed to combat global warming.

The negotiations, which began last February, need to be completed by April if the convention is to be signed as planned at the United Nations "Earth Summit" in Rio de Janeiro next June.

But the refusal of the US to commit itself to firm targets for stabilising and reducing emissions of "greenhouse gases", mainly carbon dioxide (CO_2), that are heating the earth's atmosphere, continues to cloud the talks.

Almost all other industrialised countries have adopted targets, with the European Community planning to stabilise CO_2 emissions at 1990 levels by the year 2000. The gas is produced by fossil fuel burning, notably in power stations and vehicles.

Countries are also divided over financial aid to developing nations to ensure that their economic development does not increase overall greenhouse gas emissions.

UN officials said last week they were hopeful of concluding a draft treaty by next April in time for the Rio summit. But environmental groups and many scientists fear that, in deference to the US, the final version will be too weak to have much impact on the 2-5 degree Celsius rise in global temperatures predicted for the next century.

This unprecedentedly rapid temperature increase is widely expected to lead to drought and desertification in some regions, more storms and flooding in others, a rise in sea levels, the spread of tropical diseases and the extinction of many species unable to adapt quickly to changing habitats.

The Intergovernmental Panel on Climate Change, set up by the UN in 1988 to review the scientific evidence, said in a report last year that a cut in CO_2 emissions of at least 60 per cent would be needed to stabilise concentrations at present levels.

The US, which accounts for 23 per cent of world CO_2 production, maintains that the link between man-made greenhouse gases and global warming is still not firmly established and that European-style targets would be damagingly costly to implement.

A US Department of Energy report claimed last week that reductions in CO_2 emissions similar to the 20 per cent or so contemplated by some European countries could cost the US economy up to $95bn (£53.6bn) a year and double petrol prices. Other studies, notably a report by the US National Academy of Sciences published last April, say significant reductions could be achieved at little or no cost, mainly through fuel economy measures in buildings and transport.

Libya to try Lockerbie bomb suspects

Gadaffi: terrorism mistake

LIBYA will put on trial two nationals accused by Britain and the US of blowing up a Pan Am airliner over Lockerbie, Scotland, in 1988, Foreign Minister Ibrahim Mohamed Beshari announced yesterday, Reuter reports from Dakar.

His statement went further than Tripoli's previous announcements that a Libyan judge would investigate western charges that the two security agents blew up the airliner, killing 270 people.

A judge questioning the two suspects in the Lockerbie bombing case said they faced the death penalty if convicted by a Libyan court.

Britain rejected Libya's announcement and said its position remained the same despite Mr Beshari's comments. The Foreign Office repeated its demand to Libya to hand over the two men for trial in Britain or the US.

The two countries have threatened reprisals against Libya if it does not hand over the suspects, accused of planting a bomb which destroyed the airliner in mid-flight.

Mr Beshari, in Dakar for an Islamic summit, said Libya rejected US and British demands to hand over the two men because this would be incompatible with Libyan sovereignty.

In Tripoli, investigating judge Ahmed al-Taher al-Zawi yesterday began questioning the suspects, Mr Abdel Baset Ali Mohamed al-Megrahi and Mr Al-Amin Khalifa Fhimah, about allegations they planted explosives aboard the jumbo jet, officials said.

The officials said the judge would later start questioning four Libyans accused of blowing up a French UTA airliner over Niger in 1989.

Libyan leader Muammar Gaddafi told Egypt's semi-official newspaper al-Ahram on Friday there had been no high-level government involvement in either bombing.

Mr Gaddafi also said Libya's support for "terrorist" groups had been a mistake. He said he was cutting links with the Irish Republican Army (IRA) fighting British rule in Northern Ireland, and was reforming the Libyan intelligence service.

German business looks east for the long term

Eastern Europe provides a big potential market but a plethora of problems, reports **David Waller**

THE EUROPEAN MARKET

SINCE the economic collapse of the Soviet Union, Germany has emerged as the main trading partner of the newly liberalised states of eastern Europe.

Although many of their soundings are still tentative, German businessmen are exploring opportunities in eastern markets with characteristic thoroughness. With traditional links to these areas in some cases extending back for generations, companies are interested, above all, in the long-term benefits. "We are convinced that these are not countries for making quick money," says Mr Jürgen Oberg, the main board director at Siemens responsible for eastern Europe, "Only in the long run will your investment pay off."

Mr Oberg says Siemens makes a range of products – particularly power-generation and medical equipment – vital for creating an industrial and social infrastructure for the new democracies. The main problem is financing, he says: joint venture partners do not have easy access to hard currency.

Another problem is the absence of commercial skills. "Under the state system, they distributed what they produced, they did not sell it," he says. "The engineers are well educated, but there are no salesmen at all. They must get used to selling in world markets against international competition."

German companies' investment in the east has been generally restrained. By far the biggest transaction was that of Volkswagen, Europe's largest car maker, which last April announced plans to invest DM1.4bn (£490m) in buying a 70 per cent stake in Skoda, the Czechoslovak state-owned car maker. Last Thursday, VW signalled its confidence in the project by announcing plans to spend DM6bn more in Czechoslovakia over the next five years.

Another big investment was announced less than a fortnight ago, when Siemens, the Munich-based electricals and electronics giant, won a race to acquire control of Skoda Koncern, Pilsen, Czechoslovakia's largest maker of nuclear and conventional power generating equipment. Siemens is thought to be paying $170m (£96m) for its 67 per cent stake.

Last summer, Asea Brown Boveri, the Swedish-Swiss electrical engineering group which handles its east European activities via its large German subsidiary, said it wanted east European sales of $1.5bn by the middle of the decade. It subsequently entered into joint venture agreements in Poland, Hungary, the Soviet Union, Czechoslovakia, and even Yugoslavia. Earlier this year, Linde, the Wiesbaden-based industrial group, announced plans to invest DM150m in Czech gas production facilities.

These operations are unusual because of their size. There has been an overall surge in total east-west joint ventures since 1989, up from fewer than 600 to 15,700 in January this year, according to a recent Deutsche Bank report.

An unspecified majority involve German and Austrian companies. But big German companies are not on the whole rushing to make heavy investments in the east. They are just dipping toes into what could be uncomfortable waters.

"The very largest companies have taken their chances in eastern Germany and are now looking further in the east," says Mr Wolfgang Dambmann, a general manager at Dresdner Bank, Germany's second largest bank, which recently announced plans to open an office in St Petersburg.

He points, however, to the plethora of "missing links", for instance the lack of freely convertible currencies and of freedom to repatriate profits. "German companies are willing to ship goods and products, but generally only under the umbrella of state guarantees. There is no doubt that there is a huge market out there, but there will be no rush to invest until the laws which help you control your investment are in place."

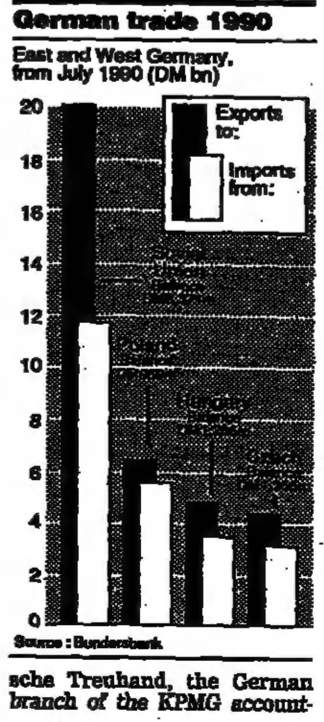
Mr Giesbert Germeroth, a senior partner in KPMG Deutsche Treuhand, the German branch of the KPMG accounting network, says: "The level of inquiries is very high." He adds, however, that most people just want preliminary investigations and valuations. "Spectacular investments have simply not materialised. This is mainly because of the slowness of the privatisation programmes in the east and excessive bureaucracy."

One chief executive of a leading German company relates the chastening experience of making a high-profile purchase of a steel mill in a fledgling eastern democracy. He says he knew it was time to pull out when bundles of scrap metal delivered to the plant contained not metal, but scrap paper. The outside of the bales was metal, but inside were thousands of secret police reports.

These caused some embarrassment when, far from being burnt up in the steel-making process, they were belched out of the chimney and distributed by the wind around the surrounding countryside. The businessmen will be making no further investments in the east.

German trade 1990

East and West Germany, from July 1990 (DM bn)



Source: Bundesbank

INTERNATIONAL NEWS

Gorbachev replaces army chief of staff

By John Lloyd in Moscow

SOVIET President Mikhail Gorbachev has sacked the army chief of staff appointed just after the attempted coup which failed in August – and replaced him with a general with a relatively hardline record.

General Vladimir Lobov's dismissal on "health grounds" was announced immediately after his return from a week in the UK, visiting installations and holding talks with senior officers and politicians.

No hint either of his ill health or of his impending departure from his job was evident during his visit, according to British officials.

The Interfax news agency yesterday quoted sources in the president's office as saying that Gen Lobov, appointed to the post soon after the failed putsch because of his opposition to it, showed "quite conservative views,and his actions no longer answered the needs of an army in the process of transformation".

His replacement is Colonel General Viktor Samsonov, commander of the St Petersburg military district. Though chairman of the (then) Leningrad Commission for the Extraordinary Situation – the local arm of the putschists – he stopped a column of tanks sent to surround the Leningrad Council building at the behest of Mr Anatoly Sobchak, the city's mayor.

However, he has been a fierce critic of the policies of the three independent Baltic republics, especially in relation to their efforts to have the Soviet troops withdrawn from their territories, and he has opposed the formation of an independent Ukrainian army.

A harder line is emerging in senior military circles, as local commanders – especially in the Caucasus – hit back at movements and republican governments which challenge their right to be based in the republics and which nationalise their property.

Bulgaria: More than 20,000 supporters of the ruling Union of Democratic Forces gathered in Sofia at the weekend to support Zhelyu Zhelev's presidential candidature and call for the confiscation of former Communist party property

West 'must avert Soviet disaster'

By Quentin Peel in Bonn

THE WESTERN world urgently needs to agree on a common strategy to prevent a disaster in the Soviet Union, which could collapse into a state of medieval banditry.

This warning was issued at the weekend by Mr Horst Köhler, state secretary in Germany's Finance Ministry and the country's chief international financial negotiator.

He sharply criticised the failure of the Group of Seven industrial countries to agree such a strategy, on top of the short-term one-year debt deferral deal, of which he was one of the leading negotiators in Moscow last month.

Mr Köhler said the G7 had been warned that there would be no money in the budget from January to pay the basic salaries of the Red Army, raising the prospect of armed gangs taking to the streets to feed themselves.

"It is not a matter of money. It is a matter of failing to calculate the full extent of the risk," Mr Köhler said in an interview.

"What will happen in the Soviet Union if the soldiers lose their self-respect? We were told in Moscow that the budget to finance the Red Army will run out in January. We know what will happen from our history, from the Middle Ages. They feed themselves through robbery, like the robber barons."

"We are living on a powder keg," he added, in the most dramatic restatement of German fears in recent months. "Yet nobody is worrying about it enough."

He cited fears of new Chernobyl disasters because of unsafe nuclear power stations. "The British are making a terrible mistake if they think they can sit on their island and escape when another nuclear station blows up on the continent.

"What if the nuclear missile potential falls into many different hands? It will cost us far more to protect ourselves against that."

He said that of the G7 countries, Japan was not prepared to consider any further aid until its political claim for the return of the Kurile Islands was resolved. Yet they were the only wealthy nation with a capital surplus.

"The Americans and the British simply want to stay out of it. They reckon we Germans, with our debt exposure, have got our fingers burnt. As far as the Soviet Union is concerned, the Americans believe they have not got the resources. The British believe – and I say this very critically – that they can let themselves stand back from the Soviet Union.

"I believe that one cannot stand back. I believe that is a terrible mistake. What is happening in the Soviet Union has the potential for disaster which puts everything else in the shade."

Mr Köhler said that the Group of Seven agreement to defer payment of principal on Soviet debt had bought a breathing space, but a long-term concept was urgently needed.

The success of the G7 was in negotiating a proper structure within which debt could be repaid.

As for German exposure, amounting to at least DM35bn ($21.7bn) of insured and uninsured debt on trade, there was no immediate threat either to the state budget or the banking system.

"I have no worries that Germany might get into real difficulties through the debt of the Soviet Union.

"Our bank system is stable, and there is not an additional burden on the capital market."

Thanks to the G7 deal the market reacted calmly when the Vnesheconombank announced unilaterally it was suspending repayment of principal on its commercial debt as well as state-to-state debt. The danger was now in the long term.

Mr Köhler said the west should now be looking for big co-operation projects – for example, with the Soviet space programme – where money could be injected into the system to bolster national pride, rather than simply be given in the form of aid hand-outs.

Cairns Group eyes EC and US

By William Dullforce in Geneva

ANY DEAL between the European Community and the US on subsidised cereals exports would have to be extended to all other farm products exported with the aid of subsidies, Mr Neal Blewett, Australia's trade negotiations minister, said in Geneva yesterday.

The Cairns Group of 14 farm-exporting countries, which Australia leads, would assess the outcome of the EC-US farm talks against its own stated objectives, he added.

Mr Blewett was in Geneva for today's ministerial meeting of the group.

The momentum created at the EC-US summit in The Hague on November 9 – at which President George Bush scaled back US targets for reductions in farm subsidies – appeared to have spent itself, Mr Blewett said.

Yesterday's meeting in Washington between US agriculture secretary Edward Madigan and EC farm commissioner Ray MacSharry was critical for the outcome of the Uruguay Round trade talks.

"We can see the possibility of achieving a truly substantial package overall in the round, but it is problematical if we can realise it. Everything depends on the next 10 days," he added. US-EC differences over farm reform have blocked the talks.

In Washington, Mr Madigan and Mr MacSharry were making yet another attempt to resolve the EC-US deadlock over farm subsidies following inconclusive meetings between the two sides in Brussels and The Hague last week.

EC officials said some narrowing of gaps had been achieved on non-farm issues in The Hague last week, but no progress had been made on farm subsidies.

Mr MacSharry had little room for manoeuvre. To reach a compromise he would have to take risks but positions in the EC Commission and among member states were tight.

Washington is insisting on substantial reductions in the volume of subsidised exports over an initial five-year or six-year period.

Russia imports shock therapy

By John Lloyd in Moscow

THE Russian government, planning to introduce free prices a week from today, has a team of foreign advisers assisting on decrees and measures, many of whom have cut their teeth on the "shock therapy" initiated by the Polish government two years ago.

The best known of these is Professor Jeffrey Sachs, the Harvard professor who advised the first post-communist Polish government and who continues to hold a high profile in calling for aid to Poland and the other east European states.

With his associate Mr David Lipton he has for two months been making trips to Moscow for talks with Mr Egor Gaidar and Mr Alexander Shokhin, the Russian deputy prime ministers in charge of economic reform and social protection.

Prof Sachs, and the other members of the advisory team, are generally in favour of a rapid transition to a market economy.

The foreign advisers team also includes two Anglo-Polish economists, both of whom are also advising the Polish government, though more discreetly: Mr Stanislav Gomulka and Mr Jacek Rostowski, both of whom teach at the London School of Economics.

Also from the LSE is Professor Richard Layard, well known for his work on wages and productivity in the UK, and now advising the Russian government on social policy.

Professor Anders Aslund, a former Swedish diplomat in Moscow whose book on Soviet economic reform is widely quoted, is also an adviser.

Albanian crisis jeopardises food aid

INTERNATIONAL credits to Albania, and admission to the European Bank for Reconstruction and Development (EBRD), could be postponed following the collapse of the coalition government, Mr Gramoz Pashko, the deputy prime minister and minister of the economy, warned at the weekend, writes Judy Dempsey.

Mr Pashko, a founding member of the opposition Democratic Party (DP), said during a visit to London that the crisis could trigger a slide into anarchy. The collapse of the coalition occurred when the DP last week withdrew its support following parliament's refusal to reschedule elections from May to February. However, Mr Pashko is critical of the action by his party, which also wants former communists to be dismissed from key positions.

"Three people died in rioting in Lac [north of Tirana], after crowds tried to raid the warehouses and bakeries," he said. "This is not the time for the DP to withdraw from the government. We have to work together with the communists throughout the winter months in order to feed the people and obtain western assistance."

Mr Pashko, a prominent economist who has been negotiating Albania's membership of the EBRD, said there were now doubts about a $60m loan from the Group of 24 industrial nations, to provide staples for the population.

"If we have no stable government, we will receive no assistance. We have 10 days supply of wheat. The food situation is really desperate," he said.

Mr Yuli Bufi, the prime minister, said on Saturday he would stay on as prime minister to try to restore calm. However, Albanian officials yesterday said they feared young people in the towns and villages would leave the country because of food shortages, growing unemployment and the collapse of stability.

Italy, which has already supplied L80bn ($65.68m) worth of food – and troops, trucks and helicopters to distribute it – sent back thousands of would-be refugees to Albania during the summer.

UK NEWS

Drug pricing needs radical change says consumer body

By Paul Abrahams

THE National Consumer Council today called on the government for radical changes in in the way drugs are priced. It said the dominant concern was the lack of transparency in the way drug pricing is decided.

The council argued that the lack of transparency means the drugs industry can presently manipulate prices, selling some at artificially inflated prices, while others are sold at nearer their real cost.

Since the whole negotiating procedure is carried on in secret it is simply not possible to gauge the truth, the council said in a report published today.

The government is preparing for negotiations next year with the pharmaceuticals industry to set up a new formula for drug pricing. Nearly £3bn was spent on prescription drugs by the NHS in 1990.

The council said the negotiations next year provided an opportunity to create "a new openness and an ability to examine the basis on which prices are established."

The council admitted that arguments put forward by the industry that further price controls could affect investment in new products should be taken seriously. However, it said it wanted to see hard evidence of how costs are currently apportioned so that an independent assessment could be made.

The issue of drug pricing is becoming increasingly acute as the UK's population ages. Between 1977 and 1988, the number of prescriptions written by doctors in England increased by 51m. As much as 96 per cent of that increase was attributable to prescriptions for those who had retired.

The report argued that further cost-containment methods, such as greater use of generic, non-patented drugs, and measures to cut prescription rates would not necessarily harm the UK's domestic pharmaceutical industry.

Editorial comment, Page 12

German demand lifts UK clothing

By Daniel Green

HEAVY DEMAND from Germany pushed UK clothing exports for the first nine months of 1991 to £1.35bn, a 12.9 per cent improvement over the same period in 1990, according to the British Knitting and Clothing Export Council.

Imports rose by 6.1 per cent to £3.1bn, with almost one fifth coming from Hong Kong.

Sales to Germany jumped 38 per cent to £200m, confounding fears that higher personal taxes there might have discouraged buyers.

Ireland remains the UK's leading export market, with Germany second and France third.

The US continued to lose ground. Sales dropped 19 per cent to £77m worth and it is the UK's fifth biggest export market, having been second only four years ago.

Ms Elizabeth Fox at the British Clothing Industry Association said that currency movements and an increasing emphasis on markets in the European Community were behind the switch away from the US. The language barrier was becoming less intimidating, she added.

The fastest growing export market is Spain. It has been singled out by UK manufacturers as a high priority since it joined the EC in 1986. Sales to Spain jumped 45 per cent to £66.5m.

Imports from east Asia show the sharpest gain, although from relatively low levels with the exception of Hong Kong. Indonesia grew 57 per cent to £72m and China by 63 per cent to £75m.

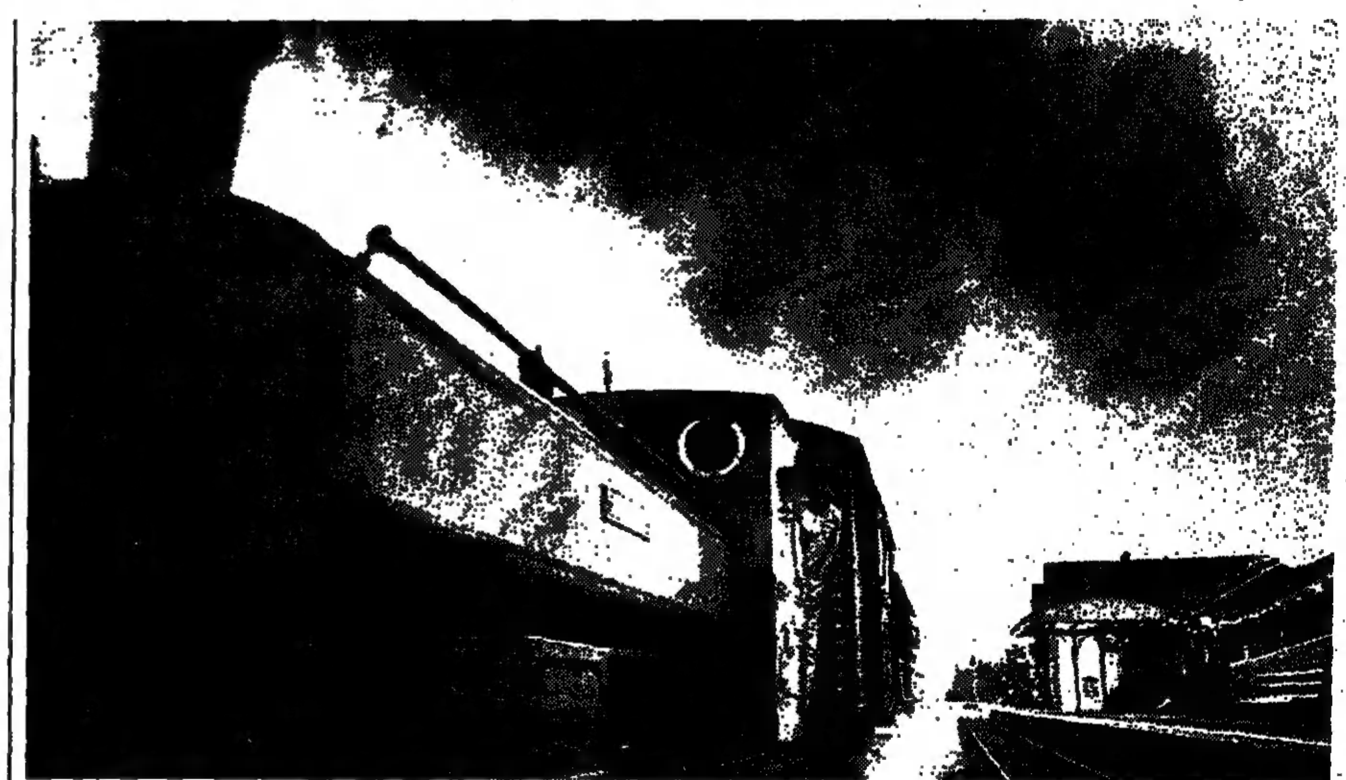
The real figure from China is much higher. Many Chinese clothes are labelled has having been made in Hong Kong.

● Wool textile exports fell 6.2 per cent in October to £42.7m, compared with the previous year, according to the National Wool Textile Export Corporation.

The total for the first 10 months of 1991 is £404.8m, down 20 per cent from 1990.

Much of the decline is the result of a sharp fall in wool prices.

Sales to EC countries fell 13 per cent, compared with a decrease of 22 per cent for the rest of the world.



Colin Beere

A steam railway in south England is to be auctioned in London today, with an estimate of £550,000. The railway at Isfield in East Sussex includes 1½ miles of track, the original ticket office and waiting room, two steam engines and rolling stock, and the station master's house. Isfield station opened in 1858, closing in 1969.

Economic modelling initiative

By Peter Marsh, Economics Staff

THE Treasury and the Bank of England are to be invited to pool some of their work in economic forecasting with academic institutions, in a bid to improve accuracy and increase value for money.

The initiative is being planned by the Economic and Social Research Council, the main government body organising academic research in economic modelling, which uses computers to link economic variables and predict trends.

Some economists believe that the Treasury and the Bank could gain better results if they made more efforts to link up with academics. Both the Treasury and the Bank employ large teams to work on modelling, but rarely talk to outsiders.

While the Treasury publishes twice a year economic projections based partly on its model, the Bank keeps its forecasts secret. The Bank believes it can advise the Treasury more effectively on economic policy if its theories about economic trends remain private.

Both institutions also argue that because much of their work on forecasting is tied to official policies in areas such as interest rates and exchange rates, publication of more details related to modelling would be against the government's interests.

Small businesses seek action to speed up late payment of debts

By Charles Batchelor

A NEW campaign to end the late payment of business debts is being launched today (Monday). The newly formed Right to Interest Group seeks to bring in new legislation which will give suppliers the right to charge interest on unpaid invoices.

Businesses in England and Wales have the worst record in Europe for paying their bills on time, according to two debt collection groups, Dun & Bradstreet and Intrum Justitia. Suppliers wait on average 51 days for payment after the date on which their bills are due to be settled.

The 51 days that British companies must wait for payment - on top of the 30 day credit terms normal in most contracts – compares with 34 days in Italy, 28 days in France, 22 days in the Netherlands and Denmark and 18 days in Germany.

Previous campaigns backed by small business lobby groups to bring in legislation have come to nothing. The government talked out a private member's bill introduced with the back of the Forum of Private Business in February 1990.

But there are signs of growing interest from the debt collection agencies and the banks.

The latest campaign is backed by Dun & Bradstreet and Intrum Justitia while Lord Alexander, chairman of National Westminster Bank, said last month that legislation might be needed.

The Forum of Private Business, which is backing the present campaign, hopes NatWest and possibly one of the other large clearing banks will back its latest efforts.

The forum is also seeking the support of all three main political parties in the run-up to the general election.

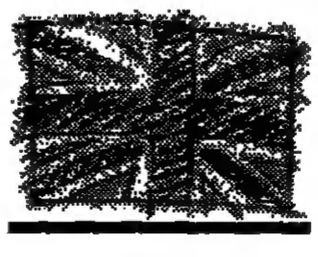
Small businesses are particularly hard hit by customers delaying settlement of their debts. The survival of nearly one in five privately owned businesses is under threat because of late payment, according to a report by the Confederation of British Industry and Cork Gully, insolvency specialists, published last January.

The amounts these businesses were owed rose from £57bn to £145bn, a doubling real terms, while the amounts they owed rose from £44bn to £75bn, an increase in real terms of only 25 per cent, according to the forum.

The government has refused to back legislation arguing that a voluntary code of practice would be more effective.

However, only 5 per cent of businesses were aware of the code, Dun & Bradstreet said.

BRITAIN IN BRIEF



Terrorists use firebombs to attack stores

Anti-Terrorist Squad officers are investigating a series of firebomb attacks in the north of England. Forensic experts were sifting through damage caused by fires at nine venues in Blackpool, including the town hall and the North Pier, and four stores in Manchester's Arndale Centre. No-one was injured.

BR plans to reopen tunnel

British Rail hopes to re-open both tracks of the Severn Tunnel which links London and south Wales to passenger trains early today after a rail crash on Saturday in which more than 100 passengers were injured. The four-mile tunnel serves fast InterCity passenger trains and also carries local trains between south Wales and southern England. Editorial comment, Page 12

Nellist attacks Labour party

Mr Dave Nellist, the MP who was expelled from the Labour Party at the weekend, said the impact of his expulsion would be felt in the damage done to the party's prospects of winning neighbouring Tory marginals, as well as in his own constituency. Mr Nellist sits for Coventry south-east in the midlands of England.

ICI wins court ruling on tax

Imperial Chemical Industries has won a court ruling against the Inland Revenue on a claim for tax relief worth about £4m. The judge ruled that losses on a holding company with most of its subsidiaries based overseas were eligible for consortium tax relief.

Howard stands by policy

Mr Michael Howard, employment secretary, has indicated on the eve of the Maastricht summit that the government will stand by its hardline position on European Community social legislation. He said he saw no reason for extending the scope of qualified majority voting in the social field.

Deer population causes concern

The government may seek legal powers to order Scottish landowners to reduce numbers of red deer on their estates to cut down the burgeoning deer population. The number of red deer is more than 300,000.

End to national pay bargaining

The EETPU electricians, the union with the largest number of members in electricity supply, has authorised negotiators to hold separate talks on pay with each of the industry's 20 companies, signalling its acceptance that national bargaining is ending.

Union calls for pensions law

The GMB general union has urged the government to introduce legislation giving workers the right of equal representation with their employers on the boards of trustees of pension funds and their investment committees.

Publishing house is sold

Weidenfeld and Nicolson, the publishing company formed in 1949 by George, now Lord, Weidenfeld has been acquired by Orion Books, a newly established publishing venture launched by Mr Anthony Cheetham, founder of Century Publishing.

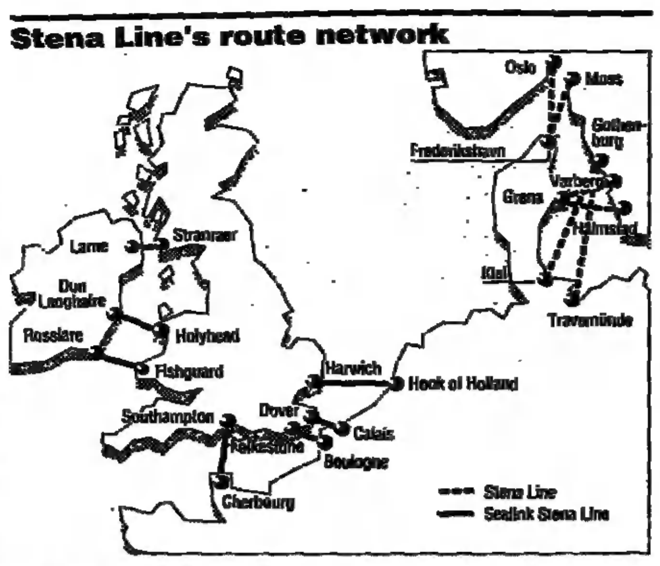
Dame Judith Hart dies

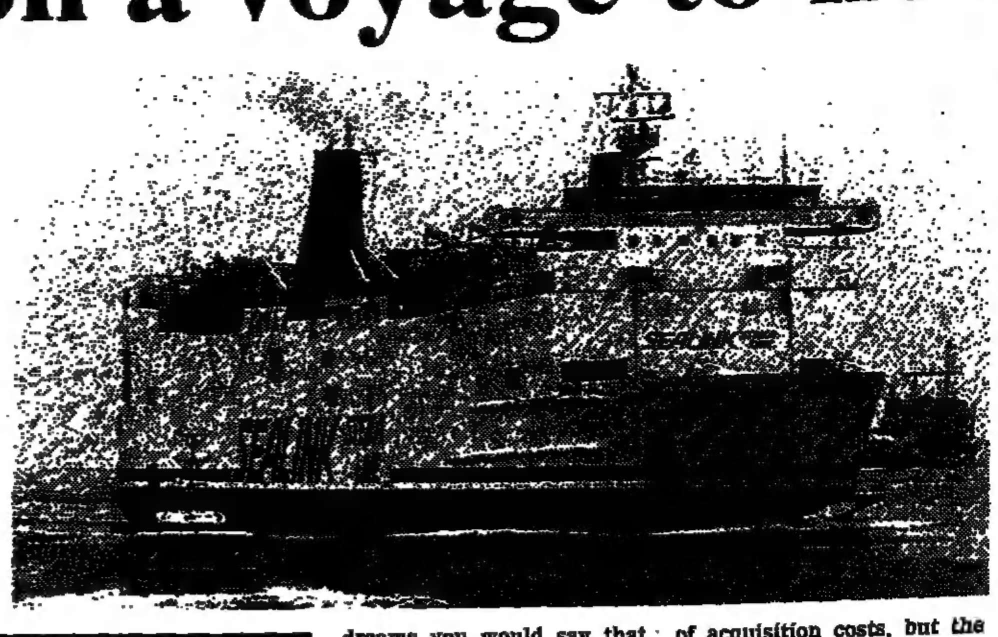
Baroness Hart of South Lanark, formerly Dame Judith Hart, former chairman of the Labour Party and a cabinet minister during the Wilson administration, has died. She was 67. She is most widely remembered for being Minister of Overseas Development.

UK NEWS – THE CRISIS AT SEALINK

Ambitious Stena sails on a voyage to nowhere

Richard Tomkins reports on how the takeover of the British ferry operator has run aground





THE voyage to nowhere, they call it in the ferry industry. What they mean is a return trip that people take for the fun of it without bothering to get off at the other end. But the phrase has become a metaphor for the acquisition of Sealink, the UK's second-biggest ferry operator, by Stena Line of Sweden.

Barely 18 months after the Swedish company's takeover at the end of one of the longest bid battles in stock market history, the acquisition has gone disastrously wrong.

Sealink has turned into a black hole – its losses seemingly out of control and its Swedish parent threatening to close it unless employees agree to drastic cost-cutting plans by the end of the month.

According to Stena Line, Sealink's labour costs are the root cause of the crisis: too many people doing too little work for too much money.

Yet there is a puzzling aspect to the affair. Sealink was making good profits before the Stena Line takeover. So, what happened to push it into such a desperate plight?

Overmanning may be part of answer; but the rest of it lies in the story of how a family dynasty's ambitions have brought Sealink and its publicly quoted Swedish parent company to their knees.

Stena Line, although quoted on the Swedish stock market, enjoys only limited independence. Some 60 per cent of its shares are controlled by other companies in the Stena group, and these, in turn, are controlled by the Olsson family.

The Stena group's founder, Mr Sten A. Olsson, is the stuff of which business legends are made. Now 75, he was born to a humble fishing family, but by the age of 23 had begun building what was to become Sweden's biggest scrap metal company. In 1961 a brush with the authorities almost blighted his career when he was convicted on 23 counts of supplying strategically important metals to the eastern bloc. But aides say the convictions were made on a technicality, and he received a royal pardon.

Even before that incident, Mr Sten Olsson had decided to diversify out of metals. Like his father and grandfather before him, his hagiographers say, he had felt the call of the sea. The Stena group – and with it, Stena Line – was the product of his expansion into the shipping industry.

The unenviable task of following in a famous father's footsteps fell to Mr Dan Sten Olsson, now 44. By 1983, he had started taking over the reigns of power, and Stena Line was on its way to becoming the jewel in the Stena crown.

Starting as a simple ferry operator on the Baltic Sea, Stena Line had developed the cruise-ferry concept: the idea that well-appointed vessels with on-board gambling and entertainment, good restaurants and duty-free liquor could persuade people to make ferry trips not just to get from A to B, but for pleasure.

Passenger numbers and profits soared, and in 1988 the Olssons floated the company on the stock market. But, with the Baltic's growth potential approaching exhaustion, Stena Line needed to turn elsewhere.

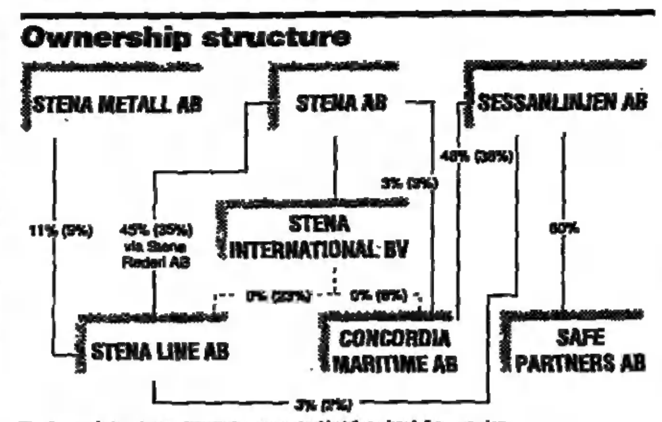
Sealink, the privatised UK ferry operator owned by Bermuda-based Sea Containers, looked an irresistible target. It was in the business Stena Line knew best, and Mr Dan Sten Olsson believed it had big development potential. The acquisition would also give Stena Line the title of the world's biggest ferry operator.

In May 1989, Stena AB – Stena Line's holding company – joined with Tiphook, the UK container rental group, to launch a break-up bid for Sea Containers. But Mr James Sherwood, Sea Containers' president, used all the means at his disposal to raise the price.

A year passed before a deal was done; and, at the end of it, Stena paid $570m in cash (then equivalent to £350m) for Sealink, with Sea Containers retaining the profitable Hoverspeed and Isle of Wight ferry operations for itself.

Did ambition get the better of Stena's judgment in paying what it did? Simple arithmetic suggests as much. Sealink's

Dan Sten Olsson: optimistic



The figures in brackets relate to the percentual holding after full conversion

trading profits were £32m in the last full year before the takeover. But, after deducting profits of £10m for the Isle of Wight ferries and £4m for Hoverspeed, all that remained to Stena was £18m – barely enough to cover even half the cost of servicing £350m-worth of debt.

"Of course they paid too much for it: there is no doubt about that," says a Swedish stock market analyst.

"They got carried away with it. It brought them big publicity, it put them on the front page of the FT and, in the end, they simply couldn't back off. It lies in human nature that you can't walk away from a deal once you become so involved in it."

The £350m debt burden was only the beginning of Sealink's difficulties. Once in control, Stena set about trying to realise Sealink's potential with a two-pronged strategy: a £178m investment in upgrading and expanding the fleet, and an attack on labour costs through the cutting of 850 jobs.

The job cuts were uncontroversial. Sealink, unlike its biggest rival, P&O European Ferries, had never properly got to grips with its labour costs while part of Sea Containers.

The investment strategy, however, brought about fundamental disagreements between Sealink's directors and the company's new owners. Former directors say Stena Line was obsessed with the idea of introducing its cruise-ferry concept to Britain in the belief that a vast leisure market was lying untapped.

"There was an amazing assumption by the Swedes that what had worked in Sweden would work over here," says Mr Christopher Garnett, former head of Sealink's European sector.

"We tried to tell them that the British weren't into this thing of great day trips on ferries and having meals on board because, unfortunately, when some passengers have had too much to drink they cause offence to other passengers, whereas this doesn't seem to happen in Sweden.

"And of course, in Britain you don't have these enormous tax differentials between what you pay for a drink in Sweden and what you pay on a ferry.

"In Gothenburg, Stena will say that 50 per cent of the population will take a trip on one of its ferries every year because they see themselves as being in competition with the city's hotels and restaurants for people's leisure time. I don't think in your wildest dreams you would say that was so in the UK: but that was the belief they had."

As the disagreements grew, Stena Line's directors were eased out or left of their own accord. Mr Paul Kilduff, finance director, became head of group strategy at National Westminster Bank, and several others were snapped up by Sealink's foes: Mr Garnett to become commercial director of Eurotunnel, the Channel tunnel operator; Mr Mike Aiken to become head of Sea Containers' ferries division; and Mr Malcolm Hewitt to join Air UK, the airline, as sales and marketing director.

The Sealink helm, meanwhile, was taken by Stena Line's chief executive, Mr Lars-Erik Ottosson, who set about boosting capacity in line with forecast passenger growth. By spring this year, Sealink had enough new and refurbished vessels in place to cater for a big increase in its market. The trouble was, the passengers never turned up.

That would have mattered less if the company had made better progress in cutting its costs. But here, too, the company turned out to have been over-optimistic – this time, about the speed with which it could reach new crewing agreements with the unions.

By now, Sealink was heading for financial disaster. Passenger revenues were way below forecasts and wage costs way above them. On top of that, the company was having to service big debts – not just the £350m of acquisition costs, but the £170m borrowed to cater for growth that never happened.

Now, corporate strategy has gone through another U-turn. Stena Line has installed Mr Gareth Cooper as its new managing director at Sealink. Under him, the expansion plan has been ditched in favour of survival.

At Stena Line's Gothenburg headquarters, however, there are few regrets. Back in his office overlooking Stena's vessels in the harbour, Mr Ottosson says £350m was a price well worth paying to get a foothold in the EC with a well-located network.

"Yes, it was a lot of money," says Mr Ottosson. "But it was much cheaper to buy Sealink than to start new routes ourselves. Just one ship today can cost £100m second-hand, so £350m is a lot, or it is not: it depends how you look at it."

All that business about the cruise-ferry concept was greatly exaggerated, says Mr Ottosson. The new owners' top priority had always been Sealink's costs.

But if that was the top priority, why did Stena launch a £170m investment programme before cost-cutting had even begun? It was a necessary gesture to win employees' confidence, says Mr Ottosson. "It's very difficult to get people to believe that there's a future after the cost-cutting process if they don't see a good future with good vessels."

Whatever the explanation, both Sealink and its parent are now beleaguered. Sealink's losses are forecast to plunge Stena Line into a deficit of SKr300m (£30m) for the year ending December 31; net debt even before the current year's troubles began was five times shareholders' funds; and related companies in the Stena empire have just had to inject SKr965m worth of loans into the group to stave off the threat of a liquidity crisis.

The cash injection should get Stena Line through the winter. After that, much will depend on prospects of a good season for Sealink next year: but with recession lingering on, there are few convincing signs of that.

Would the Olssons close Sealink? To let it go now would mean an appalling loss of face. But it is unclear whether further refinancing is possible. A Swedish stockbroker says: "The prevailing view is that there are a lot of assets in the Olsson family companies, but that there are a lot of debts, too."

A rights issue, meanwhile, is out of the question: too many of the minority shareholders have come to suspect that Stena Line is run more for the benefit of the private Olsson enterprises than in the shareholders' interests.

At Stena Line's last annual meeting, the minority shareholders expressed this concern by forcing the appointment of independent auditors to investigate whether Stena Line had suffered financially as a result of inter-company dealings with other companies in the Olsson's private ownership – for example, through Stena Line's payment of a $10m "finder's fee" to the private Stena group for acting as an intermediary in the Sealink takeover.

Mr Ottosson looks relaxed. All this is academic, he says. The latest cash injection has given Stena Line all the money it needs to overcome its difficulties. By next year Sealink will be moving back into profit, and by 1993 shareholders will be queuing up for a rights issue. "Five years from now, Sealink will be seen as a good buy, provided we come through the process of cutting costs and improving performance – which we will, I am pretty sure of that."

For now, however, all that seems clear is that a long, cruel winter lies ahead for Sealink and its employees.

Budgeting for recovery

Peter Marsh offers a word of advice on the state of the economy to executives drawing up corporate financial plans for the coming year

NEXT year is likely to be difficult for many UK companies. But how difficult?

Here is a checklist of topics to help busy executives as they put the final touches to their budgets for 1992.

UK BACKGROUND
A slow recovery is in prospect from the second deepest recession since the second world war. After nine years of growth, the economy is likely to shrink by about 2 per cent this year but turn up in 1992. Economists have a wide range of projections for next year, foreseeing growth of between zero and around 2.7 per cent.

On the negative side, a combination of large payments on debts run up during the late-1980s economic boom, weak consumer and business confidence and high real interest rates could depress economic activity for some months. The run-up to the general election could also have a further unsettling effect, holding back growth. More positively, the optimists point to a boost to economic activity from lower inflation and continuing good export growth.

WORLD ECONOMIC GROWTH
Total output in the leading industrialised nations is expected to grow in 1992 by just over 2 per cent. This is after sluggish expansion this year (the worst for the world economy since 1982) of about 1 per cent. But there are question marks over the two biggest export markets for the UK: in the US, demand is likely to be depressed by a weak recovery from the recession and in Germany, a slowdown can be expected after the post-unification surge. Overall, the optimists reckon exports could grow by 4-5 per cent.

CONSUMER SPENDING
This accounts for two-thirds of UK gross domestic product and has a big impact on the health of many important sectors, especially retailing. This year, consumer spending is expected to fall by 1 per cent, after the large yearly increases in the 1980s boom. Next year, consumers are expected to spend 1.5-2 per cent more, as the recovery gains strength.

UNEMPLOYMENT
Another worry for consumers. Many have cut their spending, fearing they might soon join the ranks of the jobless. In the year to October, unemployment climbed by nearly 900,000 to just under 2.5m. As a consequence of rising unemployment and a drop in the rate of increase in earnings, income growth has slowed, further braking consumer demand. Next year, real disposable income is likely to increase by just 1 per cent, according to Oxford Economic Forecasting, after 3 per cent growth in 1990 and little change this year.

UK industry output
annual percentage change

	1991	1992
Energy & water supply	-2.3	3.2
Metals & other minerals	-7.7	4.3
Chemicals	-0.9	3.6
Engineering	-8.9	3.4
Transport equipment	-5.9	6.5
Food, drink & tobacco	2.2	2.5
Textiles & clothing	-6.5	4.9
Other manufacturing	[illegible]	2.0
Construction	-8.8	-2.1
Distribution, hotels & catering	-2.4	1.9
Transport & telecommunications	0.8	[illegible]
Financial & business services	-1.3	0.9

Source: Oxford Economic Forecasting

INVESTMENT
Companies in internationally traded areas such as manufactured goods will have to dig into profits soon to restore investment levels and so keep up with competitors. In 1991, manufacturing investment is likely to show a fall of some 16 per cent. That will show up soon in outdated technology, plant and buildings. Even after the large rises in capital spending in the late 1980s, this means that many manufacturing companies will have to spend substantially more in this area in 1992 and 1993 if they are going to survive against better equipped businesses overseas.

CREDIT
This is the bugbear for the consumer in 1992. Many people are burdened by the high debts taken on during the 1980s, especially on mortgages. The savings ratio (the proportion of disposable income being saved) climbed to nearly 11 per cent at the end of last year, and so far has come down only to a little over 10 per cent. It will decline only slowly next year, reaching about 9 per cent in a year.

EARNINGS
Here the picture is poor for the consumer, but good from an industrial point of view. The slowdown in wage growth and a more adaptable workforce then was the case in the last recession may encourage investment by the corporate sector, giving a general economic boost. Underlying earnings growth across the economy has come down sharply from an annual 9¾ per cent in December 1990 to 7¾ per cent in September. This trend may continue into next year, with some analysts expecting the figure to drop to around 5 per cent by mid-1992. Unit wage costs in manufacturing are starting to come down rapidly; the Treasury predicts this figure will show a 2 per cent decline next year. These trends, according to the more bullish pundits, will spur industrialists into increasing investments and lead to an overall economic boost.

PRODUCTIVITY
Companies in manufacturing are likely to gain from productivity increases arising from higher production (assuming the economy picks up) with smaller work forces. According to stockbroker, James Capel, in the year to mid-1991 productivity in manufacturing (in terms of output per hour worked) was up about 2 per cent. Capel reckons that by early 1992, the year-on-year increase could be up to about 10 per cent, adding to industrialists' confidence.

MANUFACTURING
The Treasury reckons manufacturing, which accounts for about a fifth of total UK output, will grow by more than 3 per cent next year, but some think this is too optimistic. ICI, Britain's biggest manufacturer, is gloomy. It thinks next year's pick-up will be "very modest". In 1992, export-intensive sectors are likely to lead Britain out of recession, especially in chemicals which is likely to see an increase in output of 3.6 per cent, according to Oxford Economic Forecasting. Engineering, which has been one of the hardest hit sectors over the past year and will probably experience an output fall this year of nearly 9 per cent, is likely to rebound 3.4 per cent in 1992.

GENERAL SERVICES
A booming part of the economy in the late 1980s, but many sectors have seen a decline in the past year. According to Business Strategies, a consultancy, the general area of hotels, catering, distribution and retailing is likely to see a 1.5 per cent increase in output next year, roughly reversing this year's loss. A small increase of some 2 per cent is expected in 1992 in the financial and business services industry, an area that was growing at an annual rate of about 10 per cent in the mid to late 1980s.

CONSTRUCTION – HOUSING
A misery market for the past year. In general construction, which includes offices and industrial buildings, a 2 per cent output fall is likely next year, after an 8.8 per cent decline in 1991.

HOUSEHOLD GOODS
With many households having cut back on purchases of "durable" goods such as TVs, washing machines and other electrical appliances, a rebound in these areas can be expected. Staniland Hall, a consultancy specialising in consumer spending, reckons "*brown goods*" *including* audio, video and photographic equipment will see a sales spurt of 6 per cent in 1992, with spending on "white goods", such as cookers, up by just over 1 per cent.

FOOD
Food shops have been one area of retail spending to have weathered the recession reasonably well. Household spending on food will probably be up 1 per cent next year, roughly the same as 1991.

CONSUMER LUXURIES
Anything that smacks even faintly of rich living will probably have a less than wonderful 1992. Recreational goods and jewellery are likely to see respective sales increases of 1.5 per cent and 1 per cent in 1992, far beneath 1980s levels.

CARS
UK car makers are deep in the doldrums but expect better things ahead. Next year, new car registrations are expected to increase 12 per cent after a 20 per cent fall in 1991. The numbers of cars in use is likely to creep up 2 per cent next year, after a 1.5 per cent rise in 1991.

All change for bank's charges

By David Waller

WEST German companies seeking to build up businesses in the east face a challenge with their new employees. They are finding that the baggage of a communist upbringing is not easily shed.

The problem is particularly critical for companies in the service sector. This is well illustrated by the case of Commerzbank, which alone of Germany's three biggest banks has built up a network in the east from scratch.

Whilst Deutsche Bank and Dresdner Bank snapped up the former state banking sector, Commerzbank decided to go it alone. The bank faced a colossal challenge in recruiting and training a new workforce.

The first advertisements were placed in leading east German newspapers in the spring of last year. Some 5,000 people applied for 100 specialist technical and clerical jobs and 10,000 chased the 70 graduate traineeships which lead to jobs in management. The exercise has been repeated since and altogether Commerzbank has hired 1,000 people from the east.

The Marquis de Pers, responsible for recruitment and training in the east, says that the new recruits need "psychological assistance" when they join the bank. "They have to learn that there is nothing evil about making a profit," he says. They all go on a week's introductory course on capitalism. They are also taught how to look after customers and to talk to them properly on the telephone.

"One of our earliest recruits told us that she really knew how to handle customers," recalls a tutor at one of Commerzbank's training centres. "It was a matter of great pride to her that she was so rude to customers that they never called back. She was genuinely pleased that she had saved the bank the bother of having to deal with a new client."

"In the west, the customer is king", says de Pers. "In the east the customer just had to wait."

Another lesson to learn was the value of money. "People started off with the belief that money was simply not important, that everything was OK here in the prosperous west," says de Pers. "They were amazed to find out that we could calculate exactly how much the training cost, that we know how much everything costs. They were astonished to find that the use of company phones for private use was not desirable. In the east, it was entirely acceptable to organise your personal life in the office hours – people were always nipping out if they heard that something had turned up in the shops."

The recruits are picked less on the basis of relevant experience – it was difficult to get any in the east – than on personality. They are all obliged to sign a statement saying that they never worked for Stasi, the east German secret police. Sometime membership of the communist party is not held against them, but not surprisingly, they are expected to abandon Marxist ideology and learn to revere profits.

At present, all the eastern branches are managed by "wessies", but so far, a total of around 150 "ossies" have embarked on the 2½-year programme leading to management positions.

The training, a mixture of academic studies and practical work in the branches, takes place largely in the west. When the course is over, the trainees will be encouraged to take up jobs in the east, although they will be free to compete for jobs in the west if they want to.

The course costs the bank upwards of DM120,000 (£42,105) per person a year, including salaries, which are the same for trainees from east and west.

It is now more than a year since Commerzbank took on its first eastern recruits and de Pers says that they have become "indistinguishable from their western colleagues in the way they dress, the way they talk and think". Newer recruits still face problems but it looks as though a new breed of post-unity manager is being born, neither wessie nor ossie, but a combination of both – the wossie.

CONSTRUCTION CONTRACTS

Building new district offices for British Gas

CONDER PROJECTS, the division of the Conder Group which deals with designing and building, has been awarded the £2.25m contract to construct district offices for British Gas Southern on its site at Reading.

It is intended that the 2,700 sq metre steel framed building will be L-shaped.

The building is seen as comprising three storeys and the storeys themselves will be constructed around the central feature of a glazed entrance atrium.

The design includes a mixture of cellular and open plan offices.

The designs show provision for a restaurant as well as for business conference facilities.

£5.8m orders awarded to Eve Group

New contracts valued at £5.8m have been won by the construction division of EVE GROUP.

The projects are led by a £3.4m development of 61 new flats in four blocks for the Paddington Churches Housing Association off Alder Grove, Dollis Hill, London NW2.

The new flats project is expected to take more than two years to complete.

Refurbishment of offices for Thames Water Utilities in the Mile End Road, and for the Arab Bank at 132 Park Lane are other projects for Eve's construction division in London.

There is also the complex tunnel refurbishment assignment off the Old Kent Road for the National Grid Co and works for the London Borough of Greenwich.

Outside London, the company's workload includes projects for the Norwich Union at the Bentall Centre in Kingston, Surrey; the London Borough of Merton at Morden, Surrey; the North Surrey Water Company at Pirbright, Surrey, and Lloyds Bank SF Nominees in Reading.

Water treatment plant at Rivington

North West Water has awarded the main £10m building package at its Rivington Water Treatment Works near Bolton to WIMPEY CONSTRUCTION NORTH WEST.

The contract, which is due for completion in August 1993, will create a purification plant capable of processing almost 20m gallons of water a day - supplying more than 150,000 local households.

This latest stage at Rivington follows Wimpey's completion of two earlier phases; the ground works for the scheme, and the construction of various diversionery pipelines and a pumping station.

During the next two years, Wimpey will build the main processing facility together with a water storage reservoir, clarification and filtration plant and a sludge treatment building.

Sewage treatment centre for Liskeard installation

ENVIRONMENTAL CONSTRUCTION, part of MJ Gleeson Group, has been awarded a £2m contract by South-West Water for the design, construction and installation of an anaerobic digestion sewage sludge centre at Liskeard, Cornwall.

Work by ECL on the facility will include a combined heat-and-power plant to enable the methane gas produced by the digestion process to be utilised to generate electricity.

It will serve a local population of some 26,000, with the single 900 cu metres ECL digestor treating 45 cu metres of thickened sewage sludge per day. The Liskeard centre will be almost identical to the one ECL is constructing for South-West Water at Kingsbridge, Devon.

ECL has also won an £85,000 contract for the design, supply, installation and commissioning of a Helixor aeration plant for effluent treatment at Dale Farm Foods, Holme-on-Spalding-Moor, Yorkshire.

Fitzpatrick wins bypass contract

FITZPATRICK CONTRACTORS have been awarded the contract to build the Kettering northern bypass. Valued at more than £3,750,000, the contract, to last 62 weeks, is for 4.4 kilometres of roads and two large roundabouts to form a spur to the A1-M1 link on the northern outskirts of Kettering.

The project for Department of Transport and their consultant Brian Colquhoun & Partners, is over old ironstone workings

Regional general hospital in prospect for Oman

YAHYA COSTAIN LLC, a 60 per cent owned subsidiary of Costain Engineering & Construction, has been awarded a RO9.3m (£14m) contract to construct a 200-bed regional general hospital at Rustaq.

The commissioning authority is the Ministry of Health in the Sultanate of Oman.

Situated 120 kilometres from the capital, Muscat, the project comprises a single-storey main building, a service building, and 20 two-storey accommodation blocks.

All buildings are constructed in the traditional manner of a reinforced concrete frame with blockwork infill.

The main building, housing the wards and theatres, covers an area of 19,160 sq metres and has plant rooms situated on the roof. All mechanical and electrical services are included in the contract.

Work is due for completion in September 1993.

The consulting engineer is Khatib & Alami Consolidated Engineering Co.

Scottish projects add to Taylor Woodrow books

TAYLOR WOODROW's work in Scotland has been increased by two new contract awards in Glasgow which are together estimated to be worth more than £4m.

At Hope Street, Taylor Woodrow Construction Scotland is engaged in building a five-storey office and retail development for Murray Clydeside Developments which is calculated to be worth in the region of £3.6m.

The concrete frame building is intended to consist of four floors of office accommodation.

Ground floor retail space and basement parking are provided for as additional features of the design.

Work has begun already and completion of the project is estimated for early 1993.

The second project given to Taylor Woodrow involves replacing boiler plant and heating installations at the City of Glasgow district council's city chambers building in George Square.

Work on the Glasgow district council's city chambers project is scheduled to be completed by next September.

Murray Clydeside Developments is a joint venture between London & Clydeside Properties and Murray Land & Estates.

APPOINTMENTS

The end of J&H's recruitment drive

JOHNSON & HIGGINS, the world's largest privately-owned insurance broker, is continuing to poach staff for its fast-growing London operations from Marsh & McLennan, the international market leader.

Chris Cook, a Marsh & McLennan managing director dealing with aviation manufacturers, has been hired to head a new aviation and space division being established in J & H's London operations. He is being joined by James Braithwaite and Chris Woods, former directors of Marsh & McLennan's Bowring Aviation, and Tim Wright who specialised in broking space risks at the Willis Group.

The appointments come less than a fortnight after J & H set up a new Marine & Energy division headed by Martin Bowers, a former managing director of Marsh & McLennan responsible for co-ordinating international marine and energy production. Bowers, who had spent 22 years in the oil industry, is being joined by a group of senior former colleagues - Tom Redmond, Paul Holliday, John Carter and Ian Aggas.

Up to 18 months ago New York-based J & H had funnelled a large part of its overseas business though its London partner, Willis Faber. However, after Willis merged with New York's Corroon & Black, J & H was faced with the choice of finding another UK partner or building up its own London operation.

Charles Carter, who heads J & H's London operation, says that the latest appointments mark the end of J & H's London recruitment drive which has seen staff more than treble to over 300. As a result of its expansion it will probably have to move into bigger offices.

More moves in insurance

■ Following the acquisition of the short-term export credit insurance group of the ECGD by NCM of the Netherlands, which will be known as NCM CREDIT INSURANCE, Sir Douglas Wass (above) has been appointed non-executive chairman. Sir Douglas was permanent secretary to the Treasury from 1974-83 and joint head of the home civil service from 1981-83. Harry Green is deputy chairman, Colin Foxall, md and chief executive, Gilmour Black, previously with Touche Ross, is finance director, and Dirk Bruinsma a non-exec.

■ Following the appointment of Vic Jacob as md of TRADE INDEMNITY, other directorships have been announced: Dane Batt, human resources, Terry Bridgman, reinsurance and risk management, Doug Brunner, domestic underwriting, Jerry Friend, export underwriting and international, John High, planning and information, Graham Kent, finance and secretariat, Simon Marshall, sales and marketing.

■ Michael Bullock and Gary Hirst are directors of FENCHURCH INTERNATIONAL and Nigel Brunning is a director of Fenchurch Marine Brokers.

■ Peter Barnard is appointed md of NETWORK INSURANCE Brokers; he moves from AA Commercial Insurance Brokers.

■ Roger Smith and John Tuckfield are appointed directors of CT BOWRING REINSURANCE.

■ Terry Smith is md of NM UK; he returns to the UK from being National Mutual's general manager for Tasmania.

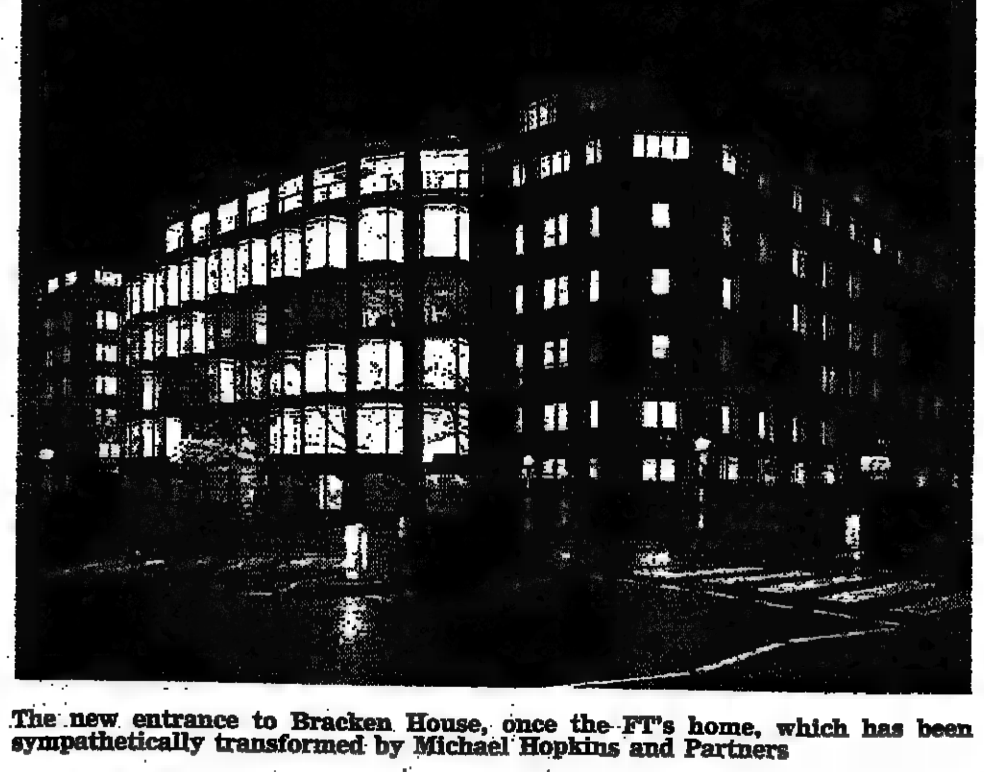
■ Chris Clark, Peter Fane, Maureen Swage, John Wilkes and Stephen Crane are appointed directors of WILLIS FABER & DUMAS.

■ Eric Pepper is to be a director of PIERI & HOLLAND.

■ Peter Towers is appointed a director of HAFNIA PROLIFIC International Life Assurance.

■ Thomas Wilson, John Quigley, Charles O'Sullivan and Victor Alexander are appointed directors of R MEARS & CO.

ARTS



The new entrance to Bracken House, once the FT's home, which has been sympathetically transformed by Michael Hopkins and Partners

ARCHITECTURE

Happy marriage of past and present

There have been two important architectural [illegible] in the City of London in [illegible] weeks. Last [illegible] the Queen officially opened the new Liverpool Street Station and visited Broadgate. This [illegible] the Lord Mayor of London [illegible] Bracken House, once the home of this newspaper and, after rebuilding by the Obayashi Corporation, to be the London base of the Industrial Bank of Japan.

Both these building projects represent in an almost archetypal way the English approach to architecture. Both Liverpool [illegible] and Bracken House are listed buildings. [illegible] of them have been transformed by good architects into characterful and workable new premises. In typically English [illegible] of these important [illegible] have [illegible] the death sentence of total and survived – resurrected to lead new lives.

What has to be said straight away, in these times of gloom and recession, is that the quality of both [illegible] new developments at the heart of the commercial City is remarkably high. The work of [illegible] Derbyshire and his colleagues in the Architecture and Design Group of British Rail at Liverpool Street has produced outstanding results. The decision by Obayashi Corporation to use the [illegible] architects Michael Hopkins and Partners at Bracken House has produced a masterly union of old and new buildings which adds a major new architectural achievement to the City.

It is a time to [illegible] the [illegible] of the British architectural profession and in a special way to [illegible] two complex triumphs of the planning system. This system of listing buildings and a sometimes over-obsessive, [illegible] negative [illegible] with conservation can really work well [illegible] projects should [illegible] as true and stirring exemplars.

Of course neither project would have reached such high [illegible] of quality [illegible] substantial and innovative funding. At Liverpool [illegible] the building [illegible] century would not have been possible without the financial benefits [illegible] Rosehaugh Stanhope's four million square [illegible] of offices at Broadgate brought to the total redevelopment. At Bracken House the calibre of the combination [illegible] and new would not have been possible without substantial Japanese funding.

Perhaps Liverpool Street is the greater triumph because it demonstrates the virtues of plural funding in both the public and private [illegible]. The fruits of this particular marriage have within them the seeds for more projects of a similar nature. I look forward to a similarly successful outcome from the same sort of union at King's Cross and St. Pancras, where 19th century masterpieces will [illegible] heart of 21st century city development.

Sir Albert Richardson designed Bracken House for the *Financial Times* in the [illegible]. His approach to the island site by St. Paul's was to adapt the plan of a 17th century Turin palazzo, the Palazzo Carignano by Guarino Guarini (1624-83) [illegible] parallel office wings on each side of a [illegible] core of offices and printing works. Richardson's design is hard to classify. It is not a straight-forward classical [illegible] instead it could be one of those gaunt early 20th century Scandinavian blocks on the waterfront at Helsinki or Stockholm. It has a strong Northern feel, reinforced by the choice of dark brickwork and Hollington reddish sandstone.

Richardson was right not to face his building in Portland stone to "match" St. Paul's: the scale and colour of bricks provides exactly the sort of foil [illegible] Wren wanted for his cathedral. [illegible] insistence on cast iron and bronze windows and balconies, and [illegible] design control over the [illegible] elegant [illegible] decoration, produced a building that [illegible] a challenge to complement in any new work.

Michael Hopkins's [illegible] to adapt the elliptical curves from the original plan of the [illegible] Carignano and marry [illegible] in his [illegible] to the preserved wings [illegible] inspired. The new facade, [illegible] seen on Friday Street where [illegible] has [illegible]d the new [illegible] entrance, is a rhythmic arrangement [illegible] bays elegantly echoing but also transforming Richardson's work. Where the printers [illegible] is now the new atrium at the [illegible]. Here is light, [illegible] through glass floors, [illegible] restrained "technical" details that make this by far the most distinguished atrium in [illegible] new London [illegible]. Michael Hopkins has [illegible] and everyday practicality in a way that is immensely distinguished.

There is no [illegible] in my mind [illegible] House is 100 per cent better than the old. But you could not [illegible] without the other. At Liverpool [illegible] the same happy marriage of past and present is the also [illegible] key to the new station's success. It is harder at Liverpool Street to tell the new from the old. The [illegible] iron and glass roof has been [illegible] in facsimile and extreme care has been taken to ensure a [illegible] quality of detailing. Much of the romance of the old Liverpool Street was the existence of high level walkways that offered visitors a sense of wandering about in the triforium of a cathedral. This sense remains, although it is now experienced in a different way. A high level walk of shops and restaurants along the line of the platforms will offer extraordinary views of the new station. Entertainment is to be had in examining the towers marking the entrances, which have been copied and adapted from [illegible] old station. Are they [illegible] old?

It is hard to imagine when contemplating the new station the complexity of the entire construction operation. For six years (and it must feel longer to confused commuters) the building [illegible] have continued while the railway was running. The result is a clear triumph of engineering and architecture with dynamic [illegible] for the travelling public. To [illegible] the new Liverpool Street to the [illegible] Airport (architect [illegible] Norman Foster) [illegible] experience the very [illegible] of architecture and design in Britain today. It is time to [illegible]

Colin Amery

Electra

RIVERSIDE STUDIOS

A stage of whitewashed walls and sun-bleached paving is sliced in [illegible] by an open drain. Village women [illegible] in the Mediterranean heat, drawing black veils across their faces when strangers approach. You could be forgiven for thinking you had blundered into one of Lorca's folk tragedies, but this is Sophocles. These [illegible] Spanish widows; they [illegible] Greek chorines who [illegible] with passive resignation the rantings and ragings of an Electra [illegible] self-mutilating anger is shockingly revealed by the [illegible] raking across a stretch of exposed thigh.

Fiona Shaw [illegible] her first [illegible] from one side, drenched, half naked and relating in a [illegible] monotone the [illegible] of her father, Agamemnon. It is an entrance of devastating intensity, which makes you wonder where [illegible] can possibly go from there. At first, as [illegible] beats her [illegible] thumps herself [illegible] a wall, the answer seems to be further in [illegible]. Then suddenly, as she [illegible] an urn that [illegible] her [illegible] ashes, [illegible] drops [illegible] leaving a desperate, lonely girl who cradles Orestes' memory tenderly in her hands before collecting herself up behind her madness once again and smearing herself with his dust.

This is one of the most electrifying performances I have [illegible], from a bravura [illegible]ress whose restless egotism on [illegible] me cold (notably in her recent, highly-praised *Hedda Gabler*.) Deborah [illegible] revived RSC production, [illegible] runs [illegible] interval, keeps faith with a Sophoclean purity of line without [illegible] remotely precious. Kenneth McLeish's translation is clear and direct.

There is no gimmickry of design or costuming, yet Warner and Shaw have created a post-punk Electra whose refusal to [illegible] line is count[illegible] by nagging images of [illegible] conformity elsewhere. The [illegible] chorus, which never actually speaks chorally, [illegible] by [illegible] garishly suburban family. Susan Colverd [illegible] her sister, Chrysothemis, as a plump frump [illegible] green [illegible] loyalty and [illegible]ceptiveness [illegible] quite unfairly brushed aside by Electra.

Sheila Gish's Clytemnestra is a powdered blonde in pomegranate pink, who has perfectly cogent reasons for having allowed her husband to [illegible] killed (Agamemnon had, after all, murdered her [illegible] daughter, Iphigenia.) She simply wants to be left in peace, but Electra will not stop harrying her. The rebel daughter [illegible]res up to her mother like prize fighter in a boxing ring – [illegible] hapless pragmatist [illegible] *the hopeless idealist.*

I love the bold splashes [illegible] – smashed fruit [illegible] the floor, or life's blood washing away in a dirty stream - but I [illegible] love the truthfulness of the detail. Angry women [illegible] their own wrists; tragedy [illegible] *are* pains; there is even a suggestion of [illegible] like cowardice in Electra's [illegible] to wreak her own [illegible]. [illegible] mimes with a cudgel while John Lynch's lean and hungry Orestes goes in for the kill. She is shrill, spiteful, [illegible] in places [illegible] right laughable, but [illegible] ignore her at your peril.

Claire Armitstead

[illegible] Colverd and [illegible]

Verdi Requiem

SYMPHONY HALL, BIRMINGHAM

Despite the emphasis [illegible] days [illegible] of acoustics, it is unusual to find a new [illegible] hall [illegible] good and doubly unusual - nay, remarkable - [illegible] across one where a large choir [illegible] in full glory. [illegible] day it opened [illegible] Symphony Hall in Birmingham qualified [illegible] first [illegible] and a [illegible] has confirmed [illegible] dual triumph.

The [illegible] was a performance of the Verdi Requiem, given on Saturday by the City of Birmingham Symphony Orchestra and Chorus, conducted by [illegible]. The extremes of musical [illegible] required by this piece make it an ideal [illegible] for a hall's [illegible] capabilities and Symphony Hall came through with resounding success.

The sound puts the soloists in a spotlight at the front, while the CBSO chorus, given a fine bloom, came from some distance behind. Symphony Hall [illegible] built with a special facility [illegible] open what are called "resonating chambers" for large-scale works, [illegible] urday all the doors [illegible]. Perhaps it [illegible] that sharpness of attack is important for [illegible] very [illegible].

If [illegible] was an irony in the decision, [illegible] no Italianate performance in [illegible] De [illegible] manner. [illegible] lavishes [illegible] amount of musicianship on the piece [illegible] every [illegible] come to life, from hushed angelic high strings to the dark cloud of mourning [illegible] memorably [illegible] "Lacrymosa". But he [illegible] tial Italian style, that dynamic pulse which should beat inexorably in each climax.

The [illegible] played well for him and [illegible] was a lusty-voiced quartet of soloists, [illegible] out with particular relish in this [illegible] with a chink in their technical armour. Cynthia Clarey and Dennis [illegible] sounded taxed at times, the mezzo's voice being only just [illegible] John Tomlinson [illegible] a magnificently imposing [illegible] music, but [illegible] did [illegible] stop him making heavy [illegible] "Confutatis".

The soprano [illegible] Gruber came nearest to getting on top of her part, for she has [illegible] to [illegible]. At her [illegible] a little of Leontyne Price, whom I heard sing [illegible] Requiem at the Albert Hall, though [illegible] also shares some of the [illegible] difficulty in [illegible]ving her [illegible] with [illegible] precision. [illegible] difficulties beckon, [illegible] just sings [illegible] "Libera me" did [illegible] find its unearthly quiet in [illegible] acoustics.

For the natural warmth of [illegible] people have compared Symphony Hall to the Concertgebouw in Amsterdam. Well, I was in Amsterdam [illegible] Saturday [illegible] and on this [illegible] I would [illegible] that [illegible] has the [illegible] in overall [illegible] quality even over [illegible] hall.

Richard Fairman

Thérese

RUDOLF STEINER THEATRE, NW1

Thérese, the second of John Tavener's [illegible] operas, [illegible] of works commissioned by the Royal Opera in the 1970s. It was [illegible] performed at Covent Garden in 1979, met with an indifferent reception, and disappeared. The production mounted [illegible] week by Trinity College of [illegible] considerable curiosity value.

A second look, undertaken in more modest circumstances, is sometimes just [illegible] reveal [illegible] previously obscured, particularly when [illegible] one of the more prominent figures of [illegible] music. While recognising that the Trinity students put heart and soul into the project, and [illegible] the performance was in many [illegible] extremely striking, vividly [illegible] piece of music-theatre, one must reluctantly state [illegible] the overall impact of the opera [illegible] tured-balloon variety.

Tavener bases his whole edifice on a character – St Therese of Lisieux, pictured [illegible] as [illegible] tests [illegible] finally reaffirms her [illegible] – whose possibilities for [illegible]ment [illegible] character would [illegible] extremely slender; and then utterly avoids all dramatic projection of that character.

Tavener's score, [illegible] to a length of [illegible] minutes, [illegible] large-scale [illegible] and [illegible]ity. But the effect is all of effects – [illegible] sounds, echo-im[illegible] voices carolling or angularly keening, a [illegible] vision of ecstasy. It simply doesn't add up, or [illegible] in the slightest.

The conductor, [illegible] Kess, had [illegible] version of the [illegible] in collaboration with Tavener himself. The long, taxing soprano title role was [illegible] divided between [illegible] at [illegible] of them, Sharon Fleetwood-Law, [illegible] a beautifully pure, crystalline high soprano [illegible] one [illegible] very glad to encounter again.

Max Loppert

The playwright who came in from the cold

As the television series ends, Anthony Curtis looks at 'Ashenden' and its author

Ashenden is a Kentish name. There [illegible] two Ashenden [illegible] at the King's School, Canterbury, when [illegible] Maugham was there in the 1880s. He gave it to the young hero-narrator of his novel [illegible] *Ale*. Maugham liked the "burnt-out case" resonance in the name Ashenden, and he also, as we Sunday night [illegible] viewers well know, gave it to the secret agent hero who links the related [illegible] he [illegible] on his intelligence [illegible] in the First World War.

While Maugham was in [illegible] the [illegible] to which he was prone [illegible] an [illegible] on his return to England he was advised to go to a clinic in Scotland. While he was recuperating there, Maugham became so fascinated by the love-lives of his [illegible] patients [illegible] a final Ashenden story, "Sanatorium" published separately in [illegible] and filmed in *Trio* in [illegible].

[illegible] Alex Jennings to the "real" Maugham [illegible] are resemblances. Both [illegible] large, staring, penetrating eyes, a moustache, and both dress correctly like con[illegible] English gents of the period. The real one [illegible] too a stammer, somewhat [illegible] features, a genuine sadness [illegible] than mere wistfulness, and – though about to be married to a [illegible] woman – he was [illegible].

Maugham's First World War intelligence work on which the [illegible] is based was in two [illegible] phases. [illegible] was [illegible] he was based in [illegible] where he monitored local agents, paid them [illegible] wages and [illegible] information to his chief. This Le Carré-type figure, "R", played by Ian Bannen, is only a shadowy character in Maugham's text – "A man of few words". [illegible] real life original was [illegible] John Wallinger, head of espionage in France and [illegible]. His running [illegible] with his naval intelligence counterpart Cumming (Joss [illegible]) has been imported by the adapter David Pirie into the original and is [illegible] from his [illegible] into the now available first war archive material.

Maugham's [illegible] phase [illegible] in Russia during the tottering twilight days of Kerensky's Provisional Government (Russia's last attempt at democracy) and was of more crucial significance. The television [illegible] ended last night, presumably in order [illegible] a complete change of setting from Europe to Russia halfway through, muddled up the two phases. a

Maugham's instructions were not merely to try to stop Russia from signing a separate [illegible] Germany, but also to assess the strength of racial [illegible] within the [illegible] orbit [illegible] aspirations for autonomy the Allies could [illegible] in their [illegible] to [illegible] the Bolsheviks.

The [illegible] frustrated in his attempts [illegible] Kerensky. Maugham eventually did see Kerensky. "I felt sorry for him," Maugham said, "... there was something appealing in him [illegible] you [illegible] inclined to help him". [illegible] of the [illegible] – as the series so vividly showed – did bring Maugham's activities in this role to an abrupt end, but the latest [illegible] and indeed [illegible] in Russia, suggest they were of [illegible] importance [illegible] Maugham afterwards admitted.

Maugham did not find working as an agent at all uncongenial. It appealed to his temperament as well as providing him with ideas for [illegible]. He applied to serve again at the [illegible] of the Second World War and was engaged by [illegible] the intelligence service and the Ministry of Information. He became a propagandist as early as 1938. After he had escaped from France, he was [illegible] with the task of countering [illegible] widespread American isolationism by writing articles and making speeches.

[illegible] he have thought of Ashenden on television? He would have loved it, surely, especially the beautifully photographed period [illegible] tions and the [illegible] performances. He never had any objection to a colleague dramatising his stuff – Rodney Ackland, S.N. Behrman, [illegible] Langley, R.C. Sherriff, all had a go at making plays or films out of Maugham stories during his lifetime.

Maugham merely insisted [illegible] work of adaptation should be competently [illegible] he [illegible] receive his share of the proceeds.

Anthony [illegible] introduction to the new Penguin Modern Classics Edition of 'The Razor's Edge' will appear early [illegible].

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw [illegible] Song [illegible] by Wout Oosterkamp. Tomorrow and [illegible] Benzi conducts [illegible] Philharmonic Orchestra. Wed, Thurs, Fri and [illegible] Kurt Sanderling [illegible] the Royal Concertgebouw [illegible] (6718 345)
Muziektheater 20.00 Carlo Rizzi [illegible] Werner Schroeter's production of Luisa Miller, with a cast led by [illegible] Esperian and Sergey Larin, [illegible] Thurs and Sun. Tomorrow and Fri: Dutch [illegible] Ballet in Swan [illegible] (6255 455/ credit card bookings 6211 211)

ATHENS

Concert Hall [illegible] Symphony Orchestra plays music by Evangelatos, Mozart and Brahms. Fri at 11.00: Thanos Mikroutsikos conducts a programme entitled Musical Tales, with works by Rolf Liebermann, [illegible] Schuller and [illegible] Baltas (722 5511)

BERLIN

MUSIC
Deutsche Oper 19.00 [illegible] Soltesz [illegible] del [illegible] production of [illegible] et Dalila, with Marjana Lipovsek, Vladimir Atlantov and Alain Fondary, [illegible] Thurs. Tomorrow and Fri: L'elisir d'amore. Wed: Elektra. [illegible] by Balanchine, Petipa [illegible]. Sun: Lohengrin (West Berlin [illegible] 249)
Komische Oper [illegible] Rolf [illegible] conducts Gunter Kramer's production of Der Freischütz. Tomorrow: Georg [illegible] opera Antigone [illegible] die [illegible] and Pag. Thurs: [illegible]. Fri: [illegible] La [illegible]. Sun: Cinderella (East Berlin 2292 555)
Schauspielhaus 20.00 [illegible] the Berlin Symphony Orchestra [illegible] in [illegible] Christmas [illegible] Thurs and Fri: Gerd Albrecht [illegible] the Berlin Staatskapelle. Sat afternoon and [illegible] morning: Haitink [illegible] the Berlin Philharmonic Orchestra. [illegible] and [illegible] evenings: [illegible] Miller conducts the Berlin Symphony Orchestra (East Berlin 2272 261)
THEATRE
East Berlin: [illegible] Langhoff directs a new production of [illegible] Käthchen [illegible] Heilbronn (1810) at the [illegible] Theater, opening on Thurs, repeated on Sun (2871 225). The Kammerspiele has a single-evening adaptation of Shakespeare's Henry IV plays on Wed [illegible] Fri, plus Ibsen's John Gabriel Borkman on Thurs (2871 226). This week's repertory at the Berliner Ensemble includes Schweyk tonight and Fri, [illegible] tomorrow, The Threepenny Opera [illegible] Wed and the [illegible] Chalk Circle on Thurs (2827 712). The Maxim [illegible] Theater has plays by George Tabori tomorrow and Thurs, plus Chekhov's Three [illegible] on [illegible] (2082 748), [illegible] Volksbühne is showing [illegible] The [illegible] tomorrow and Sun, an adaptation of Bulgakov's The [illegible] and Margarita [illegible] Thurs and Chekhov's On the High [illegible] (1884) [illegible] Fri (282 3394).
[illegible] **Berlin:** [illegible] Schaubühne has Arthur Schnitzler's [illegible] play The Lonely Road, [illegible] by [illegible] Breth, tomorrow, Fri, [illegible] and Sun (890023), and [illegible] des [illegible] daily performances (except Mon) of Stephen Sondheim's musical Follies [illegible]

BOLOGNA

Teatro Communale 21.00 [illegible] plays string quartets by Haydn, [illegible] and Tchaikovsky. Tomorrow, Fri and [illegible] Chailly [illegible] Hugo de Ana's production of [illegible]. Tomorrow in [illegible] Europa: Nederlands Dans Theater (529999)

CHICAGO

[illegible] **Opera** [illegible] 19.30 Antonio Pappano [illegible] Lyric Opera production of L'elisir d'amore, with Cecilia Gasdia, Jerry Hadley and Claudio Desderi, [illegible] Fri. [illegible] Malfitano sings the title [illegible] in Madama Butterfly (332 2244). Tomorrow, Thurs, Fri, [illegible] in Orchestra Hall: Boulez conducts the Chicago Symphony (435 6666)

LONDON

Covent Garden 19.00 Hartmut Haenchen [illegible] Graham [illegible] new production of Mitridate, with [illegible] Jochen Kowalski, Ann Murray, Yvonne Kenny and Gillian Webster, [illegible]. Tomorrow and Fri: [illegible] Ashton's production of La fille mal gardeé (071-240 1066)
Royal [illegible] **Hall** [illegible] BBC Symphony Orchestra in Stravinsky's [illegible] fantastique, Mussorgsky's [illegible] and Prokofiev's Sinfonia concertante with Ralph Kirshbaum. Tomorrow: [illegible] arrangement of Handel's [illegible]. Wed: [illegible] Werner Henze [illegible] the London [illegible] in a programme of his own music. Thurs: Anne [illegible] von [illegible] song recital. Sun: Wolfgang [illegible] a Brahms [illegible] the LPO, [illegible] Maurizio Pollini [illegible] in the First [illegible] Concerto (071-928 [illegible])
Barbican Tomorrow: Handel's [illegible]. Thurs: Colin [illegible] the world premiere of [illegible] Wiegold's new orchestral work. [illegible] James Galway's Christmas collection. Sun: Colin Davis conducts the Missa Solemnis (071-638 [illegible])

MILAN

Teatro alla [illegible] Song recital [illegible] Edita Gruberova accompanied by Friedrich Haider. Tomorrow, Fri and Sun: [illegible] Muti conducts Parsifal. Thurs and [illegible] John Cranko's production of Romeo [illegible] Juliet (7200 3744)

MUNICH

OPERA
This week's programme at the Staatsoper includes Peter Grimes [illegible] Wed [illegible] Sun, in a production by Tim Albery [illegible] by Andrew Davis, with a [illegible] led by Rene Kollo, Pamela [illegible] and [illegible] McIntyre; Il [illegible] di Siviglia on Thurs [illegible] a cast [illegible] by Luciana Serra; La [illegible] Fri [illegible] Gabriela [illegible] as Mimi [illegible] Dvorsky as Rodolfo; [illegible] production of [illegible] on [illegible] (221316)
CONCERTS
Tonight in the Staatsoper, Wolfgang [illegible] in the world premiere of An Jupiter, a [illegible] work by Paul Engel. The programme [illegible] includes [illegible] rarely heard [illegible] de [illegible], with the [illegible] Radio [illegible] including Gösta Winbergh. This [illegible] repeated tomorrow (221316). Tonight [illegible] tomorrow [illegible] Gasteig, Lothar Zagrosek conducts the Munich Philharmonic [illegible] in music by Bartok and [illegible]. On Thursday and Friday, Semyon Bychkov [illegible] Symphony Orchestra in [illegible] Symphony, with [illegible] Edith Wiens [illegible] Ludwig (48098 614)

NEW YORK

[illegible] **Jazz Club and Restaurant**
Tonight's guest is Tony Bennett with the Ralph Sharon Trio, with [illegible] at [illegible] and 23.30. Tomorrow till Sun: Milt Jackson Quartet plus Mark Whitfield Trio. [illegible] Brown. New Year's Eve: Manhattan Transfer. Jan 7: Dizzy Gillespie begins a [illegible] engagement to [illegible] his diamond jubilee at the Blue [illegible] (475 8592)
Avery Fisher Hall
This week's [illegible] York Philharmonic [illegible] (tomorrow, Thurs, Fri Sat) [illegible] by Erich Leinsdorf (875 5030)
Carnegie Hall
Tonight at [illegible] The King's Singers present [illegible] centuries of [illegible] celebration through words and music. Thurs: June Anderson [illegible]. Fri: [illegible] Ziegler recital (247 [illegible])
Metropolitan Opera
Cheryl [illegible] and Alfredo [illegible] sing in tonight's performance of La traviata, [illegible] Thurs. Tomorrow and [illegible] afternoon: Entführung. Wed and [illegible] evening: Idomeneo. Fri: Aida [illegible] 6000)

PARIS

Châtelet [illegible] Nagano [illegible] the Ensemble InterContemporain in [illegible] Des [illegible] aux etoiles. [illegible] today, John Lill gives a lunchtime recital at 12.45, the first of [illegible] featuring the piano music of Prokofiev. [illegible] concerts: Wed and Fri. This [illegible] programme [illegible] includes daily performances of [illegible] Story, starting [illegible]
Opéra Bastille [illegible] Friedemann Layer [illegible] Bob Wilson's production of Die Zauberflöte, with a [illegible] led by Hans Sotin, Cynthia Haymon, Hans-Peter Blochwitz and Wolfgang [illegible]. Runs till Jan 14, with next performance [illegible] Wed (4001 1616)
Théâtre des Champs-Elysées 20.30 Yan [illegible] Tortelier [illegible] the Orchestre [illegible] France in a [illegible] in memory of his father Paul. Sun: Philippe Herreweghe [illegible] Zelenka's Missa [illegible] and VI of Bach's [illegible] (4720 3637)

European Cable and Satellite Business TV

(all [illegible] CET)

MONDAY TO FRIDAY

CNN
[illegible] Moneyline
1230-1300 [illegible] Morning
[illegible] Day
2000-2030 World [illegible] Today – a joint FT/CNN [illegible] Perry [illegible] Chapman
2300-2330 [illegible] Today
[illegible] Moneyline

Super Channel
0600-0620 [illegible]
0630-0700 [illegible]
[illegible] (Tues) East Europe Report – [illegible] analysis from FTTV
2130-2200 (Wed) FT [illegible] Weekly - global [illegible] report [illegible] Bellini
2130-2200 (Thurs) Talking [illegible] - [illegible]

Sky [illegible]
1200 International Business Report
1130, 1730, [illegible], 0430, 0530 (Thurs) FT [illegible] Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World [illegible] This [illegible] - a joint FT/CNN [illegible]
1540-1610 [illegible]
1900-1930 [illegible] Business This Week

SUNDAY

Super Channel
[illegible] FT [illegible] Weekly

[illegible]
[illegible] 2030, 0030, 0230 FT [illegible] Weekly

CNN
1800-1830 World Business This Week

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Monday December 9 1991

A faster track for new drugs

SINCE THE thalidomide tragedy 30 [redacted] the time required to [redacted] new medicines [redacted] grown steadily longer. It now [redacted] typical drug 10 to 12 years to negotiate the regulatory hurdles from dis[redacted] commercial launch – an excessive period in the view [redacted] the pharmaceutical industry [redacted] patients [redacted] perate for treatment.

But [redacted] developments in [redacted] days suggest [redacted] pharmaceutical regulation has reached a turning point. Drugs discovered during the [redacted] likely [redacted] reach patients [redacted] quickly than in [redacted].

The first [redacted] Inter-national Conference on Harmonisation [redacted] Brussels. [redacted] US, Japanese and European regulatory authorities agreed to eliminate [redacted] duplication of testing, which [redacted] the introduction [redacted] drugs [redacted] world market.

Then [redacted] and Drug Administration announced sweeping [redacted] which would cut [redacted] taken to develop and approve [redacted] drugs [redacted] life-threatening [redacted] by [redacted] per cent [redacted] 5½ years. Even drugs [redacted] at [redacted] serious illnesses would [redacted] developed and approved within [redacted] years.

The [redacted] ill wind [redacted] blown this good. [redacted] consumer-style activism among [redacted] patients. [redacted] of their main targets was [redacted] painstaking approach of [redacted] FDA, with [redacted] emphasis on safety. Vociferous lobbying persuaded [redacted] that, for people suffering from [redacted] fatal disease, quick approval [redacted] promising treatments [redacted] self-evidently more important than exhaustive testing for side-effects. AZT and other Aids drugs [redacted] therefore put [redacted] fast-track approvals process.

Regulatory burden

[redacted] FDA [redacted] nise that [redacted] from other incurable [redacted], including cancer [redacted] mental disorders, are [redacted] On [redacted] their [redacted] coincide with those [redacted] the pharmaceutical companies, which say that [redacted] growing regulatory [redacted] is the [redacted] reason why [redacted] average cost of developing a new drug has increased from $50m to [redacted] over the past 15 years.

[redacted] burden can [redacted] removed, by negotiating uniform international [redacted] It [redacted] estimated for example that standardising long-term toxicity [redacted] at [redacted] months would cut the industry's costs [redacted] a total [redacted] $100m a [redacted] – and [redacted] lives [redacted] laboratory animals, itself an increasingly important consideration.

Standardise trials

There is no [redacted] why [redacted] drug company should not submit an identical [redacted] pre-clinical [redacted] regulatory authority in [redacted] world. The long-term aim should be to standardise clinical trials too. But medical practice and social conditions vary so much around the world that in exceptional cases national [redacted] be justified [redacted] tests.

Ideally, [redacted] company [redacted] carry [redacted] comprehensive [redacted] scientific [redacted] animal experiments and human trials, [redacted] submission [redacted] world's regulatory authorities. This [redacted] country will always be expected [redacted] the [redacted] decision [redacted] approving a particular drug. [redacted] will sometimes [redacted] according [redacted] local [redacted] medical needs.

Harmonising [redacted] accelerating the licensing process need not increase the risk of danger[redacted] medicines slipping through. Indeed [redacted] bureaucracy is eliminated, industry and regulators will find [redacted] focus on [redacted] substance of the tests.

As an additional insurance, monitoring of drugs already on the market [redacted] increased, [redacted] which [redacted] becoming easier as doctors computerise their prescribing.

Streamlined regulations will enable the pharmaceutical industry – already one of the world's most profitable – to make substantial cost savings. Companies must take care to plough most of their windfall back into increased research and/or lower drug prices. Otherwise governments will feel less inclined to resist growing political pressure to introduce stringent price controls on the [redacted].

No way to sell a railway

MERCIFULLY, no one died in Saturday morning's train crash in the Severn Tunnel. But with the government on the point of publishing [redacted] railway privatisation plans, this [redacted] troubling question.

If accidents [redacted] as this can happen under [redacted] unified British Rail [redacted] chairman's [redacted] priority [redacted] safety, how much greater could the [redacted] become when ownership of the railways is fragmented among a larger number of companies motivated primarily by profit?

BR's recent safety record is, to be sure, [redacted] untarnished, and it has [redacted] performed poorly by [redacted] other criteria [redacted] matter [redacted] comfort, reliability, punctuality and price. So the [redacted] ment [redacted] a [redacted] winner with [redacted] apparent intention [redacted] abolish BR within [redacted] lifetime of [redacted] parliament.

Inevitably, however, [redacted] suspicions that vote-winning is what this [redacted] for [redacted] in which [redacted] transport [redacted] edged the near-impossibility of bringing the railways into the private sector, privatisation has suddenly [redacted] switched [redacted] the [redacted].

Next month a white [redacted] expected [redacted] for the outright [redacted] Inter-City and Railfreight operations, complete with their trains and tracks. The Network SouthEast commuter operations and Regional Railways services will have to be [redacted] differently [redacted] they [redacted] too, will [redacted] swiftly to the private [redacted] keeping [redacted] in [redacted] ownership and putting the [redacted] operations [redacted] to [redacted].

Safety fears

[redacted] the [redacted] implications [redacted] privatisation [redacted] exaggerated. [redacted] is no evi[redacted] that other privatised transport operators – in [redacted] air, on sea [redacted] on land – [redacted] sacrificed safety for profit.

[redacted] railways are more likely [redacted] be [redacted] as well as comfortable, reliable, punctual and reasonably-priced if they [redacted] making enough money [redacted] invest: and it is [redacted] means clear that [redacted] proposed structure will allow them to do so.

The reason why railways were nationalised in 1948 is that they were unable to compete with roads which were free at the point of use. That has not changed. The only two passenger services which make significant profits today are the Gatwick Express and the London-Norwich trains – in both cases, because they are InterCity services that are given a virtually free ride over Network SouthEast's tracks.

Profits potential

By the same token, a great deal more of the railway would offer strong profits potential if the government could bring itself to accept the logic of putting railways on a competing footing with roads – that is, by taking responsibility for the track infrastructure, as it does for roads, and putting the charging structure for the two on a comparable basis.

Mr Malcolm Rifkind, the transport secretary, argues that track costs account for 45 per cent of the cost of running a railway service, so a monopoly [redacted] supplier – whether private or state-owned – would wield [redacted] much influence over train operators' viability. Yet road and air transport operators thrive in comparable circumstances: and Mr Rifkind has already swallowed his own arguments in the case of Network SouthEast and Regional Railways out of a recognition that this is the only way of privatising them.

Mr Rifkind's plans are yet to be finalised, but at this stage they look perilously like making matters worse. Services will decline and the underfunding of the railways will further deteriorate if operators are denied the ability to make sufficient returns. The creation [redacted] authority would not only provide [redacted] basis for thriving, profitable and competitive train services, but would also reassure those who feared for the future of centralised functions such as safety, timetabling and ticketing.

Mr John Prescott, the shadow transport [redacted] do not [redacted] owns [redacted] railways: what [redacted] about [redacted] that trains should be safe, comfortable, reliable and reasonably priced. State ownership has failed the public; but Mr Rifkind should think again whether his approach provides the cure.

Alan Cane looks at ICL's prospects one year after Fujitsu took control

Silencing its critics

Twelve months after the deal by which Fujitsu, Japan's lead[redacted] computer manu[redacted] took control [redacted] ICL, the UK-based information technology company, ICL is displaying [redacted] bouncy self-confidence conspicuously lacking among its European competi[redacted].

There are some obvious reasons for its buoyancy. The company [redacted] profitable, [redacted] at a reduced level compared to earlier years, while Groupe Bull of France, Olivetti [redacted] Italy and Siemens Nixdorf of Germany are losing money.

It [redacted] begun to win [redacted] market share against compa[redacted] such [redacted] International Business Machines; recently, for example, it persuaded British [redacted] base [redacted] future large computer strategy [redacted] ICL equipment [redacted] IBM's expense. This is ICL's largest single [redacted] tract and will [redacted] worth some £200m.

[redacted] important, it [redacted] gradually winning acceptance for its assertion that it is an independent company with [redacted] foreign majority shareholder rather than [redacted] Trojan Horse intent on undermining Europe's fragile computer industry. Competitors and [redacted] tomers [redacted] company a new respect. The chief [redacted] of one US mainframe manufacturer says: "Of the European manufacturers, only ICL seems [redacted] it right." A senior consultant [redacted] "ICL understood [redacted] the industry [redacted] towards [redacted] systems and computing [redacted] petitors."

All [redacted] is [redacted] just [redacted] the takeover, when ICL suffered a barrage of abuse, culminating in its expulsion from the Euro[redacted] electronics manufacturers' club, the IT Round [redacted] and [redacted] some joint European research projects.

There was [redacted] feeling [redacted] ICL had "sold out" [redacted] the Japanese, destroying any [redacted] ing a united front of European companies to challenge US and Japanese competition [redacted] harming European chances of [redacted] independent [redacted] in research and development.

ICL chairman and chief [redacted] Mr [redacted] Bonfield, [redacted] semiconductor engineer, [redacted] expulsion [redacted] time, but now [redacted] was one of the better things that happened [redacted] ICL. "It [redacted] back on [redacted] own [redacted] to spend more [redacted] lobbying in Brussels."

[redacted] positive result seems [redacted] be that Brussels is [redacted] ready to abandon its previous narrow [redacted] that [redacted] "European" com[redacted] has to [redacted] European owned. It is prepared to accept as European a company with its registered office, manufacturing and the greater part of its research and development in the Community. This definition fits ICL perfectly.

The Japanese were also upset at the cold shouldering of ICL, but privately. Mr [redacted] Fujitsu [redacted] man and the [redacted] of the company's [redacted] with ICL, describes the company's expulsion from the European club as "anachronistic". He thinks the industry of tomorrow will [redacted] characterised by [redacted] network [redacted] companies [redacted] into "border[redacted] strategic alliances".

Such alliances, [redacted] will become increasingly important as a way of controlling the tensions which build up [redacted] countries and regions of disparate economic strength. Mr Bonfield describes [redacted] relationship between ICL and Fujitsu [redacted] "textbook example [redacted] global co-operation". But what [redacted] that really mean? How [redacted] ICL changed financially, technically and culturally since [redacted] ning [redacted]?

● Finance. ICL [redacted] already Europe's most consistently profitable computer [redacted] pattern [redacted] maintained [redacted] year with pre-tax profits [redacted] £110m on sales of £1.5bn.

The reason is that its well-publicised [redacted] of the late 1970s [redacted] early 1980s forced [redacted] cut costs and move towards computing [redacted] than [redacted] mainframe manufacturers. It remained, however, too small to guarantee its survival beyond 2000 without a larger partner. Even the mighty IBM has found it necessary to seek alliances to share costs and cut risks.

Mr Bonfield is grimly realistic about this year and next. "It is going to be a very tough year. It will sort the lucky from the unlucky, but working hard and having a good strategy makes you luckier," he says, adding that Fujitsu has provided no finance either for research and development or capital expenditure. ICL has relied on its own resources.

For example, the purchase of Nokia Data, the personal computer arm of the Finnish Nokia Group, for £230m in mid-year was wholly an ICL initiative, Mr Bonfield says. It was not perhaps the match of choice – ICL had hoped to buy Keinzle Data Systems from the German Mannesmann group but was pipped to the post by Digital Equipment of the US.

One immediate consequence of the deal is that ICL is likely to supply Fujitsu with Nokia personal computers for markets outside Japan. This is an example of the kind of synergy Mr Yamamoto is [redacted] from Fujitsu's global family which now includes three US companies – the mainframe manu[redacted] Amdahl, in which Fujitsu has a minority [redacted], the semiconductor designer HAL and Poqet, which makes hand-held computers.

Mr [redacted]: "We must make the most of ICL's strengths [redacted] means not putting [redacted] brake on its [redacted] ties. It is important [redacted] are autonomous but that our strategies proceed in the same direction".

● Technology. ICL's links with Fujitsu in mainframe technology [redacted] now been in place for [redacted] but they have intensified with the [redacted] over. The UK company, for example, is designing some of [redacted] fibre-optics for Fujitsu's new mainframe ranges. Sixty ICL engineers are involved. As Fujitsu is now probably the world's top hardware designer, this is an indication of the regard in which ICL's engineers are held by the Japanese.

Fujitsu is particularly interested in ICL's mid-range machines – high-performance workstations and the Unix operating system which is rapidly becoming the world standard. The company is already shipping workstations to Japan and Fujitsu is marketing the ICL machines in its other markets. Mr Yamamoto says: "ICL is ahead in this area; there is a lot for us to learn."

Fujitsu's way of learning involved sending some 200 engineers to the UK to investigate its new acquisition. Mr Ed Parton, manager of ICL's workstation group and Mr Keith Winter, manager of the Unix centre, were surprised by their visitors' attention to detail and their circumspection. Mr Parton said: "I had expected them to act as the senior partner, but there was no assumption of superiority in our meetings."

● Culture. In marked contrast to earlier fears, Fujitsu's management style at ICL has proved light to the point of invisibility. There are few obvious signs of Japanese ownership. One Fujitsu executive, Mr Koshiro Kitazato, has been assigned to ICL's management board. Described as director of co-ordination, he reports to Mr Bonfield and his business card carries the ICL logo. He attends the management board meetings on Monday afternoons which, in Mr Bonfield's laconic expression, "run the company". Full board meetings with the top brass from Tokyo [redacted] place quarterly, with more frequent contact made by video-conference.

When Fujitsu completed the takeover, it announced it was planning to float ICL on the UK stock market within five years; those plans are going ahead although the present state of the stock market implies that [redacted] decision [redacted] float will be taken later rather than sooner. Financial advisers, merchant banks and brokers are being sought, however, and will be appointed in the early part of next year.

The fact remains that the link with Fujitsu is, at the top, an intensely personal one. It depends on the trust which has developed [redacted] years between Mr Yamamoto and Mr Bonfield.

Mr Bonfield has agreed [redacted] stay with the company until the flotation but has made no secret of his desire eventually to return to the US where he spent the earlier part of his working life.

To ensure a comfortable suc[redacted] of [redacted] managers is being encouraged to build a rapport with their Japanese counterparts.

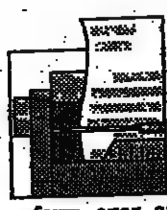
[redacted] seems [redacted] confounded its critics; it seems largely to have retained its integrity, identity and independence. But it is early days and nobody should underestimate the Japanese capacity to sustain a long-term vision of the future.

Mr Yamamoto expresses satisfaction with his investment but is clearly looking for more: "Maybe in the future it will be possible [redacted] real synergy [redacted] our two companies," he murmurs thoughtfully.

PERSONAL VIEW

Russia: time to help is now

By Michael Ellam and Richard Layard



Russia has reached its moment of truth. Within the next five weeks it will go through with the biggest economic reform ever attempted anywhere. It is vital for us all that this succeed. And it cannot succeed without western help.

Mr Boris Yeltsin has asked for a $4.5bn stabilisation fund. There is no reason this help should not be given – and fast. The reform package is of the standard type proposed by the International Monetary Fund, and its details will be worked out jointly with them.

But at present there is a terrifying lack of urgency in the western approach. Four main factors explain this scepticism – all of them misconceived.

● "There have been plans before. What's the difference?" The difference is total. Until the August putsch, Russia was prevented from reforming by a Communist government at the centre.

Now Mr Yeltsin is in charge. He has formed a new government of outstanding young radical professionals who really know what they are doing. This is the first democratic government that has ever been in charge in Russia.

They now have control of the central bank and of the whole budget on their territory. They thus have the means to deliver.

● "Why such speed?" True, the Russians are moving fast. By January 1 [redacted] will [redacted] most prices, attempt a balanced budget, and make half their foreign exchange earnings fully convertible for current transactions.

This is faster than most countries [redacted] acted. But surely we should congratulate them. It would be nice if Russia could afford to proceed more slowly. But it cannot. The queues are intolerable, and industry is on its knees because importers cannot buy critical imports.

Moreover, the political time-bomb is ticking away. The government has to reform quickly and show results, otherwise it will be swept aside by dark political forces that will not suit any of us.

● "But what about Mr Gorbachev?" The G7 group of leading industrial countries has been obsessed by the centre, long after the centre lost all control over the economy. The west has taken the most short-sighted view of its own interest – that somehow the centre could make sure western debts get paid.

In fact all power has passed to the republics. Only if the Russian reforms succeed is there any chance that the debts will be paid.

The west also worries that Russia is pressing on with reform before the other republics. It would like everything to be neatly agreed and synchronised among the 15. Unfortunately life is not like that. Someone has to lead, and Russia is doing just that. Mr Yeltsin has reached good economic understandings with Belorussia and Kazakhstan, and following his magnanimous trip to Ukraine, he will try the same with them.

● "But Russia is not a member of the IMF." The worst objection of all. In unusual times unusual procedures should be followed. The IMF is well enough established in Moscow to do its monitoring.

The money needed is tiny. If in 1992 Russia got a $5bn stabilisation fund, plus $12bn food aid and balance of payments support, this would be less than 1 per cent of Nato defence expenditure. Aid to Russia at this critical moment would buy the world a lot more safety than 1 per cent of arms.

Without a stabilisation fund the dangers are extreme. The exchange rate could float down to a level that makes no sense at all. At present the standard rate paid by importers is 1.8 roubles per dollar. At this rate the existing wage of about 5 roubles an hour is clearly uncompetitive and devaluation to, say, 10 roubles per dollar would make sense. On top of this we should allow for the necessary adjustment of prices and wages to eliminate the monetary overhang. This means a doubling of wages and an exchange rate of about 20 roubles to the dollar.

But in an infant foreign exchange market where the rouble is left to float, there is no chance that such a rate would emerge. The free rate in the existing thin market is 100 roubles, and a likely future rate might be 40-70 roubles.

Such a rate would put no competitive pressure on industry. It would simply cause a further and unnecessary inflationary shock. Wages would rise many times. And the price of grain and other traded goods could rise by a multiple of 20 or more. There would be little chance that the present enlightened government could survive. And the poor would suffer the most.

If any government ever deserved western support, it is this one. It is up against massive problems. Yet they have done everything a Financial Times reader would want them to do. It is time for our own governments to respond. The place to start is Maastricht.

Richard Layard is director of the Centre for Economic Performance at the LSE and an adviser to the Russian government. Michael Ellam works with him in Moscow

OBSERVER

Family interests

In choosing the present moment to back a campaign promoting family [redacted], the Confederation of British Industry might seem to be emulating the theatre-goer who reputedly asked Mrs Abraham Lincoln: "But apart from that, [redacted] did you like [redacted] play?"

With certain [redacted] tions, however, the UK [redacted] paid unduly scant attention to its family firms. Unlike the Germans and French who take them seriously, the British have typically viewed them as an anachronism.

It is an attitude which chimes oddly with research findings that no less than 70 per cent of UK businesses are family-owned. Hence the CBI's backing for an initiative by accountants Stoy Hayward (to whom the fates have been unkind before), to launch the Family Business Forum.

The idea is to shed light on issues peculiarly affecting such companies, including how to ensure management succession and how to prevent family quarrels from fouling up the works. To gain an international perspective, Stoy has formed links with America's Wharton Business School, which has a division focusing on family firms.

The first of what are intended to be regular meetings on the topic is scheduled for Thursday evening at the CBI's Centrepoint headquarters in London. Since the event is to be chaired by Dominic Cadbury, chief executive of Cadbury Schweppes, it should at least leave a good taste in the mouth.

Big deal

■ For the first time Observer can remember a firm of chartered accountants has picked a non-chartered accountant to be its chief executive. Robson Rhodes, number 14 in the accountancy pecking order, has hired Ray Pierce, the 45-year-old ex-boss of The Mortgage Corporation, to run its business.

It's the latest in a series of moves to strengthen Robson Rhodes' management. Mel Smaje, director of human resources, joined from Unisys last year and the manager of the group's Manchester office also comes from outside the profession. Hugh Aldous, national managing partner, remains the effective chairman of the firm, but Pierce will control day-to-day affairs from January.

Until [redacted] month ago such a move would have been unthinkable. But following an Institute of Chartered Accountants' rule change, permitting non-accountants to become partners, it is now possible to offer business professionals like Pierce a fitting reward.

However, the more traditional bean-counters might look askance on the move. After all, it not the best advert for a profession advising others how to run their businesses, when one of its members has to look outside for someone to run its own.

Inter-twitty

■ British Rail has come up with yet another wizard wheeze. Commuters on peak travel trains between Liverpool Street and Cambridge are being handed leaflets saying "Make the most of your travelling time". Everything from "Art" through "Japanese" to "World Affairs" is on offer in the form of on-board study groups.

Nice idea, shame about the practice. The lady handing out the leaflets had to squeeze past the hordes of standing commuters, and dished them out to seated passengers crammed into spaces which make the turning of a newspaper page a major effort worthy of Houdini. As for tables on which to spread study or work materials, those are but a distant fond memory. "First aid" – another suggested course – might come in handy, were the very notion of it not so risible in the constrained circumstances.

"Another one jumping the gun and tipping in Ecus?"

Tiny's pile

■ It's always fascinating to know what really wealthy entrepreneurs do with their loot. Hence the interest in Tiny Rowland's financial disclosures following the run on the Lonrho share price.

Like the late Robert Maxwell, Rowland is seen by the establishment as an outsider who has brushed with the law. He is also a wheeler-dealer with overseas political connections, owner of newspapers he is not above using for his own ends, and seems to spend much time pursuing his own personal vendettas.

But there any similarities end. Maxwell was an inveterate gambler who borrowed to the hilt for his private gain.

Rowland's personal affairs, by contrast, are portrayed by Lonrho as a model of financial rectitude. The company states that Rowland has over £120m of personal cash on deposit, there are no mortgages on his various houses, and he has not borrowed a penny to pay for his 92 million Lonrho shares (worth £155m).

Beyond that – as Lonrho director Paul Spicer says it would be "undignified" to provide bank statements – Lonrho-watchers will have just have to take his word on his boss's affairs.

Nevertheless it seems an odd investment strategy for an elderly gentleman. Think of it: over half his fortune tied up in a share he is emotionally committed to, and the rest on deposit in banks which might go bust.

Why not spread the risk with some equity blue-chips, US treasury bonds, or even – dare we mention it? – gold

Party trick

■ Throwing one final grand banquet for top officials of the crumbling Soviet empire, the chief apparatchik noticed his right-hand neighbour slipping a gold fork up his sleeve.

"Not a bad idea in the circumstances," thought the chief, stealthily reaching out for a gold dessert spoon. But in picking it up, he accidentally hit it on a wine glass with a chime that made the company fall silent.

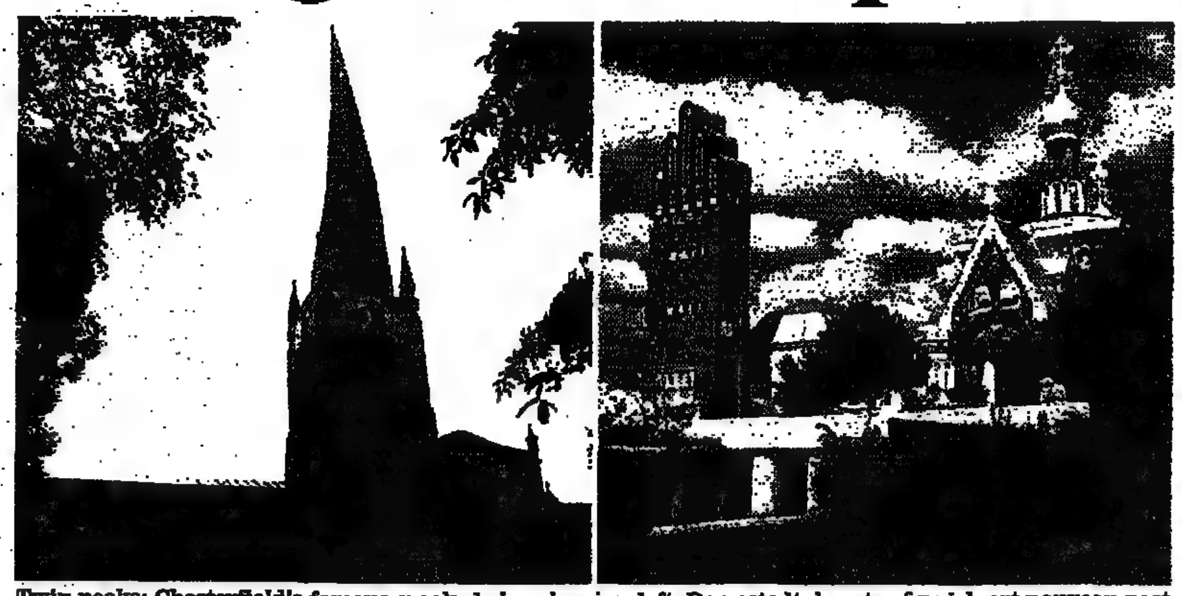
Having no choice but to rise and address them, he beamed around and said: "Comrades, I shall not spoil our last grand occasion with a speech. Instead I'll show you a little magic."

Whereupon, after holding up the spoon for all to see, he openly pocketed it. Then turning round, he extracted the fork from his neighbour's sleeve, and laid it back on the table with a flourish.

The name of a small town in the Netherlands has entered the vocabulary of millions of people across the European Community and beyond, as EC leaders assemble for their most important summit in years. But the word Maastricht conjures up widely varying aspirations and fears. We sent correspondents to visit three twinned European towns – Jimmy Burns to Chesterfield, Alice Rawsthorn to Troyes and David Waller to Darmstadt – to sound out opinion on European integration.

As the Maastricht summit begins, **FT writers** visit three twinned European towns to test public opinion

Little Englanders and good Europeans



Twin peaks: Chesterfield's famous crooked church spire, left; Darmstadt, boasts of [illegible] rich art nouveau past

In the office of Mr Bill Flanagan, leader of Chesterfield Town Council, a pair of very English-looking Wellington boots stands side by side with a very German-looking carrier bag from Frankfurt *Main* airport.

Councillor Flanagan, an ebullient miner's son, [illegible] buried under a mass of poll-tax related budget projections, and a reminder from the local youth club that a toilet is in need of repair. And yet, when questioned about matters European, he goes into overdrive.

Maastricht is the meeting "we've been striving for for over 30 years . . . its a coming together of people." Mr Flanagan, a member of the Labour party, cannot understand why the government spends so much time debating sovereignty and federalism.

"It doesn't [illegible] what they call it," he says. "This is one of the poorest areas in [illegible] country. If you [illegible] got a pound coin it doesn't matter whose head is on it. I'm not a little Englander. Th[illegible] idea that we are separated by a Channel and that makes us different is silly."

Outside the town hall, Chesterfield (population 100,000) is resonant with symbols of Little England. The market, and [illegible] most famous landmark, [illegible] crooked church spire, data from [illegible] Saxons.

At the Royal Oak pub, one of England's oldest, Mr Harry [illegible] 'fighting beer' and [illegible] and kidney pie. He says [illegible] has [illegible] time for Europe or Europeans. "England is England. I'm not bothered by the rest of Europe."

But over the past 20 years, Chesterfield's links have extended in that very direction, to the German town of Darmstaldt and the French town of Troyes with which it is "twinned". The German connection was started by a German pri[illegible] – a prisoner of war in Chesterfield [illegible] was befriended by the locals. Recently, the town's local authorities funded 'civic exchanges' involving school children, higher education students, police, ambulancemen and orchestras.

The town's most prominent Eurosceptic – after Mr Tony Benn, the local Labour MP – is Mr Richard Matthews, a Tory councillor who also works, ironically, for the local chemical pl[illegible] run by French company, Rhône Poulenc.

Monetary union is something Mr Matthews could "live with". But he rebels against the prospect of a "European power centred on Bonn or Paris", and says EC immigration policies make him "fear for the (English) nation". While he takes his holidays in France, "likes French wines", and has nothing against friendship between nations, he is sceptical about the practical [illegible] of twinning.

"If we [illegible] getting [illegible] positive commercial advantage from it, we would advertise it. [illegible] we are not."

The [illegible] may be more symbolic at the [illegible]. Chesterfield's Our Town [illegible] has [illegible] picture [illegible] local Mayor, Mr Bill Jepson, in Darmstadt, officially christening [illegible] tram with [illegible] English twin.

Chesterfield's local transport [illegible], Chesterfield Transport, [illegible]*tains close social and business links* with its German equivalent – a relationship which has made the English company's managing director, Mr William Coupar, a stout defender of the European ideal.

A Scot, he [illegible] to having a particular perspective on sovereignty. "My symbolic identity is tied up with a nation that is not [illegible] state. I don't [illegible] the same problem [illegible] many English people have."

The experience of his own company shows how [illegible] have changed since [illegible] war, he [illegible]. [illegible] Transport [illegible] bought out by [illegible] employees. According [illegible] Mr Coupar, such an exercise has not only attracted the interest [illegible] companies in eastern Europe, but led the English company to emulate [illegible] trial relations practices. It has established a 'supervisory board' based on the German *aufsichtsrat* model.

According to Ms Glenys Goucher, chief executive of Chesterfield's [illegible] of Commerce: "We've [illegible] change our thinking, [illegible] stop feeling we're [illegible] small island, [illegible] realise that we're part [illegible] something bigger."

Chesterfield [illegible] traditionally [illegible] mining [illegible] heavy engineering town. But the switch to tourism, the local [illegible] in chemicals, [illegible] the promised start-up of [illegible] Toyota factory [illegible] all indicators [illegible] a changing business environment which [illegible] ill afford [illegible] turn [illegible] back on Europe.

If [illegible] French city of Troyes [illegible] a place in the history books it is probably [illegible] to [illegible] treaty of Troyes [illegible] VI signed [illegible] in 1420 – [illegible] knowing [illegible] paving [illegible] for [illegible] English invasion of [illegible].

That [illegible] mark, [illegible] least on some [illegible] the townsfolk, who regard [illegible] world of political summits [illegible] international [illegible] with [illegible] deepest scepticism – from Troyes all the [illegible].

"De Gaulle was right," thundered Mr Claude Paradis, one of the managers of the Société Générale Bank in the city centre. "I'm all in favour of a [illegible] Europe – but without the [illegible]. They want everything their own [illegible]. They [illegible] join in too, but only [illegible] they play by the rules."

Troyes, a city [illegible] population of 60,000 in Champagne country south [illegible] Reims and east of *Paris*, is the odd one out among the [illegible] twin towns. It [illegible] by far the prettiest, with its wide [illegible] and labryinth of 16th-century [illegible]. Textile manufacturing [illegible] the biggest employer. [illegible] unlike [illegible] and Darmstadt, Troyes [illegible] a rural feel [illegible] the vineyards [illegible] it.

The [illegible] Mr [illegible] Galley, the 70-year-old [illegible] has [illegible] ensconced [illegible] hall for nearly [illegible] reading. The power politics [illegible] Maastricht seem [illegible] long way away.

"Maastricht – what [illegible] that?" [illegible] *Mr André Deschamps, who travels* into Troyes every day [illegible] drive [illegible] taxi. "It all [illegible] political."

"Maastricht is just [illegible] publicity stunt," [illegible] Mr Michel Kujawa, [illegible] Brasserie Vosgienne [illegible] town square. "I don't expect anything [illegible]."

[illegible] Troyes [illegible] Europhiles. "A unified Europe would be [illegible] good thing [illegible] France," [illegible] Fardet, [illegible] runs [illegible]. "Countries cannot [illegible] on their [illegible] days. The protectionism that Mrs Thatcher talks about is part of history."

Even Mr Paradis suspects [illegible] closer European integration would [illegible] beneficial. He thinks [illegible] local textile industry would be [illegible] off if the European [illegible] prepared [illegible] negotiate more forcefully on its behalf. He [illegible] convinced [illegible] sooner Europe is unified [illegible] common [illegible] the [illegible]. We cannot compete [illegible] it."

As modern history unfolds, [illegible] people of Troyes might look back [illegible] an earlier event. Only a [illegible] signed his ill-fated treaty, Joan of Arc marched into the city and liberated it from the English.

Tucked [illegible] on [illegible] third floor of [illegible] Town Hall [illegible] Darmstadt hangs a chilling black-and-white photograph of the city at the end [illegible] the second world war. Like nearby Frankfurt, Darmstadt suffered from Allied bombing raids. The picture shows an expanse [illegible] charred rubble which could be mistaken for Hiroshima.

Darmstadt rose from the ruins and is today a prosperous city of 137,000 inhabitants. Well-known for its *Jugendstil* (art nouveau) [illegible], the city [illegible] a lively *regional cultural* [illegible]. A conspicuous beneficiary of Germany's post-war *Wirtschaftswunder*, it is [illegible] base for several internationally [illegible]cessful corporations, including Wella, [illegible] world leader in hair cosmetics. Its Institute of Technology [illegible] attracted several high-tech companies and institutes, including the European Space Operations Centre (Esoc).

Unlike Chesterfield, [illegible] found a role for itself in [illegible] modern [illegible] and seems thoroughly at ease with [illegible] future in Europe. From the geographical middle [illegible] European market, [illegible] people [illegible] constantly in contact with other regions and [illegible]tries. They [illegible] enthusiastic Euro[illegible] who welcome [illegible] prospect [illegible] monetary [illegible] political [illegible].

"We [illegible] already in [illegible] midst [illegible] Europe," [illegible] Wilhelm Brado, the German-born assistant general man[illegible] of [illegible]. "Closer integration [illegible] inevitable and desirable. [illegible] European organisation, drawing [illegible] that each nationality has [illegible] offer."

"I say from the bottom of my heart that [illegible] contradiction [illegible] both [illegible] German [illegible] European," [illegible] Blöcker, [illegible] of [illegible] city of [illegible] chairman of [illegible] city's European Union, [illegible] association [illegible] officials. "We [illegible] European amalgamation [illegible] quickly [illegible] possible. The federal system here [illegible] Germany – [illegible] plenty of [illegible] of [illegible] regions – [illegible] good model for the EC."

The enthusiasm [illegible] shared by people milling around [illegible] shops of central Darmstadt. Few [illegible] any specific problems ahead and, strangely, nobody [illegible] mind giving up [illegible] D-Mark – [illegible] symbol [illegible] Germany's post-war [illegible] – [illegible] sovereignty: [illegible] typical observation [illegible] monetary and political integration [illegible] that "there are bound [illegible] problems but they will [illegible] sorted [illegible] time".

It [illegible] mainly [illegible] people who are sceptical. "I'm in favour [illegible] all," [illegible] sociology student, "so long as there is [illegible] problem with the economy. [illegible] stays the [illegible] I'm all for it."

[illegible] says: "Just look at what happened [illegible] East Germany. We were all in favour of uniting with the new [illegible] (states), and [illegible] every[illegible] grumbling [illegible]. [illegible] could happen [illegible] Europe."

BOOK REVIEW

A ride on the unity carousel

INNENANSICHTEN DER EINIGUNG
By Horst Teltschik
Siedler Verlag, 329 [illegible]

At the side of Mr Helmut Kohl during many of the pivotal moments of the German unification [illegible] was the tousle-haired figure of Horst Teltschik, the chancellor's foreign policy adviser. *Forced* [illegible] from German-speaking Czechoslovakia [illegible] a boy after the war, Teltschik was probably the man in Kohl's "kitchen cabinet" with the greatest emotional attachment to the unity cause.

After [illegible] *years* [illegible] a *loyal*, hard-working, opinionated and sometimes impulsive Kohl assistant, Teltschik left the chancellery at the beginning of this year. [illegible] has [illegible] brought out [illegible] fly-on-the-wall account of the diplomatic and political manoeuvrings leading up [illegible] the reforging of the German nation on October [illegible] 1990.

This is [illegible] story, in semi-diary form, of the dramatic [illegible] between [illegible] the Berlin Wall [illegible] November [illegible] and unity 329 days later. Neither Kohl nor Germany itself [illegible] prepared for the challenge. Teltschik confirms how Bonn's policies during [illegible] period had to [illegible] continually improvised [illegible] adjusted [illegible] match the pace of [illegible]. *As* [illegible] *unity* [illegible] speeded up in [illegible], Teltschik prepared and took part [illegible] dramatic series of [illegible] with Presidents George Bush, François Mitterrand [illegible] Mikhail Gorbachev, and with Mrs Margaret Thatcher.

[illegible] also carried out important [illegible] on [illegible] own – including a [illegible] journey to [illegible] May 1990, detailed here for the first time, with the [illegible] of the Deutsche [illegible] Dresdner Banks [illegible] arrange credits for the Soviet Union. In [illegible] to secure Mr Gorbachev's approval for German unity, [illegible] type [illegible] financial leverage was clearly Kohl's principal [illegible].

Although Teltschik's writing style [illegible] verge [illegible] pedestrian, the [illegible] some fascinating insights. Teltschik was and is [illegible] Kohl admirer – but [illegible] independence of mind, mixed with a sense [illegible] humour which could [illegible] on impishness, led to occasional [illegible]. He [illegible] difficulties [illegible] working for [illegible] boss who [illegible] disconcertingly zig-zag between *prickliness* [illegible] warmth. Teltschik could also be tetchy himself. When Mr Kohl achieved a breakthrough in winning basic agreement for German unity from [illegible] Gorbachev in February [illegible], Teltschik *records* [illegible] *he was* appalled [illegible] the "routine" phraseology with which the chancellor wanted to announce the accord to waiting journalists. He interrupted the chancellor's dictation and rephrased the declaration in [illegible] epic tones.

Teltschik regarded reunification [illegible] fulfilling a national dream. Several times he [illegible] impatience and irritation [illegible] others' lack [illegible] insight. President Richard [illegible] Weizsäcker, for instance, [illegible] particularly impressed by Kohl's celebrated 10-point plan for German unity drawn up by Teltschik [illegible] November [illegible].

The [illegible] memorable parts of [illegible] book relate to the suspicion towards German unity *entertained* by Britain and France. When [illegible] Thatcher voiced her views [illegible] the reunification [illegible] slowed down, in [illegible] interview with [illegible] Wall [illegible] Journal last year, [illegible] was [illegible] he instructed Teltschik [illegible] voice [illegible] *displeasure* [illegible] British [illegible]. Another icy [illegible] when Mr Kohl travelled to Cambridge for [illegible] festive dinner with [illegible] prime minister in March [illegible]. Teltschik records how, [illegible] Mr Kohl's insistence, [illegible] drove from the airport to [illegible] in separate [illegible].

[illegible] President Mitterrand – and above all with Mr Roland Dumas, his foreign minister – the relationship [illegible] hot [illegible] cold several times during [illegible] unity [illegible]. Teltschik [illegible] Mr Kohl [illegible] became aware of [illegible] "limits [illegible] friendship" in his [illegible] with Mr Mitterrand. With Germany a nation [illegible] 80m people again, one intriguing question is how [illegible] this friendship will [illegible] be.

David Marsh

LETTERS

No escape, even when stranded on an island

From Mr Gregory Adams-Tait.

Sir, Michael Prowse, in his article "John Stuart Mill's new century" (Dec 2), says that if stranded on [illegible] island [illegible] would [illegible] democracy [illegible] free [illegible] would set up [illegible] democratic [illegible].

Is there no escape from such people even on [illegible] desert island?

Can you imagine the horror of being shipwrecked and then having to [illegible] through [illegible] democratic meetings about [illegible] you [illegible] legally obliged [illegible] skirt?

The endless applications for planning permission to build a hut, the arguments about minimum health standards of living in a cave, but [illegible] seriously the endless disputes over who *should do what and who is and* who isn't doing enough work?

Oh please.

I would [illegible] complete freedom, but, as few people respect that as [illegible] notion, [illegible] would be [illegible] which would, [illegible] possible, [illegible] sorted out by appealing [illegible] group. This [illegible] hardly a democracy. It's more an *ad hoc* court of law.

Next time I climb into a lifeboat, I will, if there is time, check that Michael Prowse is not on board.

Gregory Adams-Tait,
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Poole, Dorset BH13 6AF.

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

BZW's role in Trafalgar House acquisition of Davy Corporation

From [illegible] Peter [illegible].

Sir, The report on Trafalgar House and [illegible] acquisition [illegible] Davy Corporation, published only in early [illegible] of [illegible] Financial Times [illegible] December 4, referred [illegible] Barclays [illegible] role [illegible] joint broker to Trafalgar [illegible] both merchant [illegible] and [illegible] to Midland [illegible] Scottish [illegible] (MSR).

[illegible] conclusions I would like to set the record straight.

First, BZW did [illegible] play "an important part" [illegible] compiling Trafalgar's [illegible] document for Davy. It played [illegible] part, [illegible] being [illegible] part [illegible] sub-underwriting [illegible] rights issue.

Second, BZW [illegible] not "instrumental in drawing up the commercial contract [illegible] Davy [illegible] MSR". Nor *did BZW* [illegible] *MSR on* [illegible] contract. [illegible] not [illegible] time [illegible] sub-underwriting invitation in June [illegible] likelihood of any difficulties [illegible] payment for the platform.

Third, when [illegible] was [illegible] to [illegible] sub-underwriting role [illegible] our [illegible] cent holding [illegible] equity in no way constituted an impedi[illegible].

Nothing [illegible] concealed: our holding [illegible] of public record. It [illegible] announced [illegible] time it arose. It appeared in [illegible] annual report. And it [illegible] referred to in BZW research published during [illegible] rights issue.

Peter Middleton,
chairman,
Barclays de [illegible]
Holdings,
Ebbgate House,
2 Swan Lane,
London EC4R 3TS

The case for a correction to avoid German monetary domination

[illegible] Mr R A Ledingham.

Sir, Your leader, "Living with Kohlonomics" (November 28), [illegible] preference for German [illegible] probity, [illegible] opposed [illegible] reliance on [illegible] monetary correction, in reaction [illegible] economic strains [illegible] reunification.

It [illegible] interesting [illegible] why Germany, [illegible] members, can adopt a monetary policy [illegible] inappropri[illegible] the business cycle in the [illegible] Europe. The divergence indicator limits [illegible] the ERM mechanism should prevent such [illegible] of affairs, but clearly [illegible] working as [illegible]. A divergence indi[illegible] shows a currency's [illegible]gence against all [illegible] currencies as [illegible] percentage [illegible] its possible [illegible].

A divergence indicator for [illegible] currency which is greater than +/- 75 per cent results in the presumption that the currency's monetary authority or national government will act [illegible] divergence.

In calculating [illegible] D-Mark's divergence indicator, [illegible] possible [illegible] against narrow band ERM currencies [illegible] assumed to be [illegible] cent.

The Dutch guilder, Belgian [illegible] and, arguably, [illegible] Irish punt [illegible] however, [illegible] maintaining a 1 per [illegible] parity against [illegible] D-Mark (these currencies, including the D-Mark, comprising almost 50 per cent of the Ecu). It is thus [illegible] mathematically impossible [illegible] the D-Mark [illegible] a +/- 75 per [illegible] divergence indicator.

[illegible] very sound [illegible] can [illegible] made for changing the calcula[illegible] divergence indicators [illegible] recognise [illegible] divergence limits, [illegible] avoiding complete German monetary [illegible].

[illegible] Ledingham,
Rose View, Hythe, Oxon

An independent Ukraine and the Nuclear Non-proliferation Treaty

From Prof [illegible]

Sir, Edward Mortimer's thoughtful piece (November 27) on the break-up of the [illegible] Union and the importance [illegible] ensuring that existing arms control agreements [illegible] made binding on its successor [illegible] timely, especially in [illegible] imminent independence [illegible] the Ukraine ("Perilous prospect [illegible] going it alone", November 29).

Nevertheless, Mr Mortimer's discussion of [illegible] *Conventional* Forces in Europe (CFE) and Nuclear Non-proliferation Treaty (NPT) agreements misses an essential difference [illegible] them.

A [illegible] by an independent *Ukraine* [illegible] *will accept* all [illegible] obligations [illegible] conven[illegible] forces within its territory under CFE will lead to [illegible] about how to limit those [illegible] Mr Mortimer shows. But [illegible] declaration by an independent Ukraine that it will accept all [illegible] under the NPT will not of itself lead [illegible] limitation of nuclear [illegible] the safeguarding of nuclear activities in [illegible] Ukraine. For [illegible] Union is a nuclear weapon [illegible] under the NPT and [illegible] thereby allowed [illegible] possess [illegible] nuclear weapons; *furthermore*, the existing agreement which covers the safeguarding [illegible] nuclear materials in [illegible] Union is entirely voluntary. At best, [illegible]tion by the Ukraine that it is bound by Soviet NPT *obligations* will mean that it [illegible] ensure [illegible] it has adequate control [illegible] nuclear [illegible] and nuclear-trained personnel *in its territory.*

It would indeed be technically difficult [illegible] to claim anything other than to be [illegible] nuclear weapon state, for the basic requirements of [illegible] non-weapon-state under the NPT [illegible] the [illegible] weapons from [illegible] territory [illegible] under its [illegible] and [illegible] complete inventory [illegible] nuclear [illegible] which can then [illegible] safeguarded. The Ukraine [illegible] not able to satisfy either [illegible] requirements.

It would [illegible] possible for [illegible] international community to [illegible] that [illegible] only [illegible] the Soviet Union [illegible] nuclear weapon [illegible] a central authority, but [illegible] tragic events in Yugoslavia have taught [illegible] the folly [illegible] insisting on recognition of [illegible] central government not in control of [illegible] *constituent parts.*

Thus the reality [illegible] an even-handed approach will require [illegible] Russia and the Ukraine become recognised nuclear [illegible] under the NPT.

[illegible] result could have its positive features: the [illegible]sion [illegible] nuclear weapons would [illegible] seen as more [illegible] an [illegible] history than an indicator [illegible] military [illegible] economic power. Furthermore, all nuclear [illegible] states [illegible] then be galvanised into dismantling as many as possible [illegible] their existing weapons which [illegible] no useful purpose under present circumstances.

[illegible] Dombey,
professor of
theoretical [illegible]
University of Sussex,
Brighton

FINANCIAL TIMES
Monday December 9 1991

Mirror owner may be chosen quickly

By Robert Peston, Raymond Snoddy, Bronwen Maddox [redacted] Jack

THE FUTURE OWNER of [redacted] the Daily *Mirror could be cho*sen [redacted] quickly, according [redacted] Mr John Talbot, a partner in Arthur Andersen, the accountancy firm, who was appointed on Thursday [redacted] administrator of the Maxwell family's private empire.

In his first interview [redacted] becoming administrator of *Headington Investments* and [redacted] Maxwell Group, the master companies in the [redacted] well empire, he said: "If a bidder was prepared to take the risk [[redacted] making an offer before a thorough financial [redacted] Mirror Group Newspaper has been completed], it [redacted] conceivable we [redacted] move quickly".

The banks, which [redacted] *MGN* shares as collateral against *loans* [redacted] *the private* [redacted] said yesterday that they favoured an early sale. "[redacted] want to end the uncertainty for Mirror employees and readers", [redacted] banker.

The Maxwell family private companies are [redacted] default on these loans, so their 51 per cent [redacted] in MGN is now owned by the banks. The purchaser [redacted] MGN will therefore [redacted] chosen by them. [redacted] banks – including Lloyds, Midland, Barclays and Goldman Sachs, the US [redacted] bank – control the stake. However, the [redacted] shareholder by far is [redacted] Westminster, which [redacted] 32 [redacted] cent MGN shareholding.

The [redacted] *meet* [redacted] administrator and the board of *MGN this week to decide on* the future of [redacted] company. "We will set in train [redacted] auction of MGN", said a banker.

The MGN board is in the process of appointing a new merchant bank to [redacted] it on the auction. The favoured candidates are Schroders and Barings. This may come [redacted] blow to *Samuel Montagu*, the merchant bank which advised MGN on its flotation in May. Montagu tried to put a "ring fence" around MGN to prevent cash being stripped out of the company by Mr Robert Maxwell into his private companies.

However, MGN now believes *that £95m was syphoned out of* its accounts in the late *summer and early autumn.* Because it fears that this money may not be recoverable, it now faces a "cash flow problem", said a banker. So it was forced last week to ask its banks to put in place a standstill on its existing borrowings, preventing the banks from demanding immediate loan repayment.

Over the weekend it was in discussions with its banks to obtain a new short term borrowing facility of around £50m.

But MGN is believed to be trading profitably on a day-to-day basis with signs that circulation of the titles has risen because of the scan*dal.*

Mr Ernest Burrington, MGN chairman, said yesterday: "My aim is to try to stabilise the future of MGN and clean up the mess. I regard it as a duty. There's nothing wrong with the organisation apart from a massive act of criminality."

Meanwhile Mr Joe Haines, a non-executive director of MGN and a Mirror pensioner, backed the management buy-out team led by Mr Richard Stott, the editor of the Daily Mirror. A management buy-out, together with Pearson, owner of the Financial Times, and Mr Tiny Roland's Lonrho group seem to be the main potential contenders for the titles.

Tangled web, Page 15

A quiz with no simple answers

JOHN PLENDER

Here, by way of a change from Maastricht, is a short and slightly premature Christmas quiz.

Question one: Who has recently plundered no less than 60 per cent of their employees' pension funds for their own unstated corporate purposes?

Question two: In which recent contested takeover did the target's share price plunge on the initial announcement; the besieged company cut the payout instead of promising increased dividends as far as the eye could see; and the bidder indemnify participants in a concert party against loss, despite fervent denials to the contrary, at huge cost [redacted] shareholders, and without going [redacted] jail?

Question three: Who incurred the wrath of their *government for rigging the* market [redacted] financing organised crime; and then came to be fingered, initially, by [redacted] tax man rather than the criminal authorities?

The answer to one is not who you think. Try the German corporate sector, which is estimated to borrow around 60 per cent of the value of occupational pension schemes to finance the underlying business. Nobody worries about this self-investment because there is a government-backed pension guarantee scheme. More important, a very generous state system provides most German workers with a retirement income equivalent to 70 per cent of final pay. How sad for worried employees of the late Robert Maxwell that successive, squabbling British governments have made such a thoroughly British hash of both pension provision and regulation.

The target in two, where the bid tactics were [redacted] mite different from those that applied in BTR's contested bid for Hawker Siddeley, [redacted] German tyre maker Continental. Last week, it rejoiced when Pirelli's merger approach fell through amid revelations about costly indemnity payments to friends and associates.

Who said that hostile bids do not happen in Germany? Clearly they do nowadays, witness also Krupp's recent aggressive market raid on Hoesch – even if Pirelli never quite got around to making a formal offer and forgot to put a firm price on Continental's head. How on earth did Mediobanca, which advised Pirelli, acquire such an awesome reputation in Italy?

Neither Salomon Brothers nor Al Capone have anything to do with three, which refers to the Nomuragate scandal in which Japan's biggest securi[redacted] house [redacted] attacked for indemnifying favoured clients against falls in share values, and shamed by the Ministry of Finance for associating with the second largest of the country's criminal gangs, known as Yakuza.

The purpose of this mini-quiz is partly to underline the fact that our perceptions of other people's capital markets (and, indeed, our own) can be too black and white; but more importantly to suggest that [redacted] Anglo-Saxon understanding of good corporate governance and strong [redacted] ability has never been an obvious feature of anyone's economic success story, whether it was Britain in the 19th century, or post-war Germany, Italy and Japan.

Where 20th century Britons now see conflicts of interest, German employers, employees, suppliers and creditors are often making common cause. And it is, I suspect, as much a matter of history and culture [redacted] the structure of corporate governance. Did you know, for example, that Article 14 of the German constitution declares that "ownership involves obligations" and that "[redacted] should at the same time serve the common good"?

The stable, long-term funds provided to German industry through employee pension contributions, in a classic case of Anglo-Saxon conflict of interest turning into German partnership, are known as social capital. The mission statement of a company like Continental, meantime, places commitment to profit a poor fourth after *commitments to quality, cus*tomers and employees.

How remote it all is from Hawker Siddeley, whose management thought it a perfectly reasonable defence against BTR to propose the sale of 60 per cent of its businesses as a prelude to acquiring countless other businesses; and from BTR, which is now into selling as well as buying. How different from the culture of those Anglo-Saxon fund managers for whom ownership responsibility means passing the paper to someone else. And small wonder that a British government with a 19th century liberal view of the labour markets should have stubbed its toe on the continental Europeans' social charter.

To many British observe[redacted] the problem is the divo[redacted] between ownership and c[redacted]trol. Pragmatists seek a so[redacted]tion in better corporate gove[redacted]nance; romantics in a[redacted] implausible return to 19th cen[redacted]tury-style owner-manager con[redacted]trol. To the Germans, and more particularly the Japanese, this seems largely irrelevant. Ownership discipline has played no part in the Japanese success story. Nor is there any need even for two-tier boards in a system where employees of large companies are regarded as the real owners and the composition of the Japanese boardroom is seen as an expression of employee sovereignty.

For all that, the recent appearance of hostile bids in Germany [redacted] just reflect [redacted] of corporate governance. It is striking that the German system has been slow to deal with declining industries and problem companies – not least at Continental in the 1970s.

And that [redacted] consistent with the tendency of German industrialists to downplay the influence of bankers and supervisory boards in procuring managerial change. As for Japan, the shortcomings of the "insider" system have been exposed by Nomuragate. The outsiders – high savers who were deprived of the fruits [redacted] the great asset price inflation, hard workers who were unprotected by the lifetime employment system – are rebelling.

Corporate gove[redacted] is undeniably important. But as Keynes remarked in [redacted] Treatise on Money: "It is Enterprise which builds and impro[redacted]ions...If Enter[redacted]Wealth accumulates whatever may be [redacted]ing to Thrift."

For thrift, read capital *market discipline, corporate gover*nance, or what you will. Note, though, that he made his point in Teutonic capitals.

Signing up for Europe: Mr Jacques Delors, President of the European Commission, put his name to the European Community flag during a pre-Maastricht rally, as leaders assembled for the historic summit which opens today

Stena tells Sealink [redacted] cut costs or close

By Richard Tomkins, Transport Correspondent

SEALINK [redacted] LINE, the crisis-hit cross-Channel ferry operator, will be closed down unless the workforce accepts a *drastic cost-cutting plan* by the end of this month, the company's Swedish owner says.

The ultimatum from Stena Line of Sweden threatens to embroil the British government in Sealink's financial crisis, because it holds a special stake in the privatised ferry operator for defence purposes.

Sealink, *Britain's biggest* ferry operator after P&O European Ferries, was bought from the government for £66m ($116m) by the Bermuda-based Sea Containers in 1984. Stena Line acquired it for £350m in April last year after a long and bitter takeover battle.

The government has retained its special share in Sealink because the company's car and lorry ferries could have an important role to play as troop and vehicle carriers during times of war.

The share demands that Sealink's operation must not be "to the prejudice of national defence".

Stena Line's threat to close Sealink follows its September warning that the group was heading for losses of SKr300m ($53m) in the year ending December 31.

[redacted] Line said profits from the Scandinavian operations had [redacted] wiped out by losses incurred by Sealink.

However, [redacted] Line's minority shareholders have called in independent auditors to investigate whether Stena Line's losses have been exacerbated by certain inter-company dealings with private businesses owned by the Olsson *family, Stena Line's majority* shareholders.

Stena Line is attempting to stem the Sealink losses by axing the Folkestone-Boulogne car ferry route from the end of this month, cutting the workforce of 6,000 by 25 per cent, reforming working practices and introducing a pay freeze until 1993.

Numast, [redacted] representing ships' officers, is strongly opposed [redacted] job cuts and is balloting its members on industrial action.

Mr Lars-Erik Ottosson, Stena Line's chief executive, said Sealink had no future unless the rationalisation plans were implemented in full.

He added: "If we cannot do that, Sealink cannot survive; it has no future at all; it will be closed, and the routes will be started by someone else. We are not going to put any more money into the company, and nor is anyone else, if the business isn't going to survive."

Sealink operates seven routes: Dover-Calais, Folkestone-Boulogne, Southampton-Cherbourg and Harwich-Hook of Holland on the Channel, and Stranraer-Larne, Holyhead-Dun Laoghaire and Fishguard-Rosslare on the Irish Sea.

Stena Line's shares, offered at SKr87 each when the company was floated on the Stockholm stock market in [redacted] closed at SKr26 on Friday.

CRISIS AT SEALINK

Sealink's privatisation should have turned an inefficient state-owned company into a thriving private sector enterprise. Instead, Stena Line's takeover of Britain's second biggest ferry operator has run aground. Page 8

Croats pessimistic about EC peace talks

By [redacted] Dempsey, Eastern Europe Correspondent, in London

THE European Community-sponsored [redacted] conference [redacted] Yugosl[redacted] reconvenes today in The H[redacted] but officials in the breakaway republic [redacted] growing increasingly pessimistic [redacted] the EC's ability [redacted] civil [redacted] in Yugoslavia.

Lord Carrington, chairman of [redacted] conference, will hold talks [redacted] the six republics in [redacted] Dutch officials described as [redacted] "stock-taking exercise" following [redacted] month-long lapse [redacted] the conference.

[redacted] then, the United [redacted] has attempted to play a [redacted] in ending the fighting between [redacted] and [redacted]

But [redacted] previous [redacted] between the EC and leaders [redacted] the Yugoslav republic, today's [redacted] will be presented with [redacted] report drawn up by a special arbitration [redacted] set [redacted] months [redacted] by the EC.

The report states that Y[redacted]slavia is legally in the [redacted] dissolution, [redacted] federal institutions [redacted] longer [redacted] and [redacted] the republics can take uni[redacted] secession from the [redacted]

"[redacted] welcome [redacted] findings," [redacted] Mr [redacted] Nobilo, [redacted] to Mr Franjo Tudjman, president of Croatia. "They may speed up recognition by [redacted] international community [redacted] our independence."

However, UK and Dutch officials yesterday stressed that [redacted]tion will not end the [redacted] nor will it mean that international peacekeeping troops will [redacted] sent [redacted] Mr Cyrus Vance, the UN's special envoy to Yugosla[redacted] who yesterday completed his fourth mission to the country, insisted again that [redacted] troops would be [redacted] until there was [redacted] lasting ceasefire.

Mr V[redacted] who has already [redacted] plans, which have [redacted] backing from General Veljko Kadijevic, the federal [redacted] minister, Mr Tudjman, and Mr Slobodan Milosevic, the president [redacted] Serbia, to [redacted] UN troops, [redacted] expected to repo[redacted] back [redacted] the UN later this week.

Meanwhile, [redacted] Nobilo said there was a lull in the fighting. But Croatian radio reported that seven people were killed after the Serb-dominated federal army launched a rocket on the eastern Croatian city of Osijek; of which two-thirds of its inhabitants are Croats.

He also said that said any lasting ceasefire depended on who controlled the federal army. "I do not believe that General Kadijevic is in control of the army. It was sheer madness the way the army attacked Dubrovnik last week," he said.

Most BT share applicants to be satisfied

[redacted] Michiyo Nakamoto in London

ALL existing British [redacted] per [redacted] all applicants will receive an [redacted] in [redacted] UK government's sale of BT stock, S. G. Warburg, [redacted] chief [redacted] yesterday.

Private investors who [redacted] BT [redacted] and [redacted] applied [redacted] 500 shares through [redacted] specially designated [redacted] shops will receive [redacted] shares. [redacted] who applied for [redacted] shares will receive [redacted]

As [redacted] sale [redacted] only 2.5 [redacted] subscribed, there [redacted] no [redacted] in cut applications [redacted] sharply [redacted] happened in previ[redacted] privatisation [redacted] The average application from private investors [redacted] for 630 shares. Most applicants applied [redacted] their [redacted] through share shops [redacted] the [redacted]

The government [redacted] be announcing [redacted] price at [redacted] shares will be sold this morning. This [redacted] expected to be around [redacted] share. [redacted] investors who hold their shares until March 1993 will qualify for a full [redacted] will only pay [redacted] Trading in BT will [redacted] on the London [redacted] Exchange after the [redacted]

The government is likely to increase the allocation to retail [redacted] upper limit of 1.05bn shares, which [redacted] that the 2.8m private investors who applied for shares will get 67 per cent of the total. This will make the sale the largest privatisation issue in terms of the proportion [redacted] retail [redacted] British Gas, sold in 1986, holds second place with [redacted] per [redacted]

The international tender [redacted] saw aggressive bidding from the 100 institutions represented *by 10 syndicates. At the mar*ket closing price of 342p last Friday, institutions offered to buy more than three times the amount of shares available, a record for any UK government issue. At 352p, or 10p above Friday's price, offers were double the amount available.

UK institutions did particularly well in the tender, obtaining well over half of the shares on offer.

Warburgs said that the government had saved itself £500m in [redacted] by using a method of [redacted] which eliminated underwriting costs.

US jobs figures

Continued from [redacted] 1

Managers' Index – [redacted] of industrial conditions – [redacted] flashing red, having declined sharply for two months.

Big [redacted] revisions have only added [redacted] gloom. [redacted] figures [redacted] prod[redacted] the economy grew at an annual rate of only 1.7 [redacted] cent in the third quarter – against [redacted] previous estimate of 2.4 per [redacted]

The bad news is [redacted] by [redacted] or [redacted] mildly encouraging [redacted] Home sales, which [redacted] mally plunge in recessions, [redacted] held up well [redacted] recent months. The [redacted] dollar will continue [redacted] support US exports. [redacted] prices are surprisingly buoyant. Long bond yields are not signalling economic collapse.

■ Peter Marsh in London writes: UK consumer [redacted] dence [redacted] dipped [redacted] its [redacted] point this year, according [redacted] a survey published [redacted] which is likely [redacted] add [redacted] nervousness about [redacted] expected [redacted]

Fears among consumers [redacted] unemployment and the [redacted] of their [redacted] worsened, depressing confidence which had appeared to show a rise in September, according [redacted] Cambridge Economic Consultants.

Bush at Pearl Harbour

Continued from [redacted] 1

won. We crushed totalitarianism ... and we made our enemies our friends."

Mr Bush, who delivered three brief but emotional addresses, spent most of his energy laying the ghosts of the past [redacted] He offered an unqualified apology [redacted] the 120,000 Japanese Americans interned in the US during the Second World War. This follows a formal apology by Congress and [redacted] provision of $1.25bn in restitution.

Mr Bush praised the recent expression of remorse by Mr Kiichi Miyazawa, the new Japanese prime minister, for Japan's attack on Pearl Harbour; he made clear he did not believe a full apology was required. He went further by paying tribute to Emperor Hirohito, quoting US wartime leader in the Pacific Douglas MacArthur that the emperor "played a major role" in Japan's spiritual regeneration.

This magnanimous message – [redacted] Saturday by some 2,000 ageing Pearl Harbour survivors – clears the way for Mr Bush [redacted] address more pressing matters such as trade and regional security during a 10 day tour of Asia and Japan at the end of the month.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	13	55
Algiers	R	15	59
Amsterdam	C	5	41
Athens	Sn	2	36
Bahrain	S	25	77
Bangkok	F	30	86
[redacted]	C	11	52
Beirut	C	21	70
Belfast	S	7	45
Belgrade	F	-4	[illegible]
Berlin	Dr	2	36
Biarritz	S	10	50
Bombay	S	31	88
Bordeaux	S	6	43
Boulogne	S	1	34
Brussels	C	0	32
Budapest	S	-4	25
Buenos Aires	C	33	91
Cairo	S	19	84
Cape Town		-	-
Caracas	F	26	79
Casablanca	[redacted]	19	66
Chicago		-	-
Cologne	C	3	37
Copenhagen	Fg	1	34
Corfu	S	8	46
Dallas	[redacted]	20	68
Dublin	[redacted]	9	46
Dubrovnik		-	-
[redacted]	[redacted]	3	37
Faro	[redacted]	[redacted]	59
Florence	S	6	43
Frankfurt	C	4	39
Geneva	[redacted]	1	34
Gibraltar	[redacted]	14	57
Glasgow	[redacted]	6	43
Helsinki	Sl	1	34
Hong Kong	S	24	75
Innsbruck	F	2	36
Inverness	R	6	43
Islamabad	F	21	70
Istanbul	Sn	0	32
Jakarta	R	32	90
Jersey	S	3	37
Johannesburg		-	-
Lima	C	22	72
Lisbon	F	13	55
London	S	5	41
Los Angeles	R	11	52
Luxembourg	C	2	36
Madeira	S	21	70
Madrid	R	8	46
Majorca	F	14	57
Malaga	R	14	57
Malta	S	12	54
Manchester	S	[redacted]	41
Manila	C	[redacted]	90
Melbourne	[redacted]	18	64
Mexico City	[redacted]	21	70
Miami	[redacted]	21	70
Milan	F	0	32
Montreal	C	-8	18
Moscow	Sn	-15	5
Munich	Sn	0	32
Nairobi		-	-
Naples	S	9	48
Nassau	F	27	80
New Delhi	S	22	72
New York	S	8	46
Nice	S	9	48
Nicosia	R	15	59
Oporto	F	13	55
Oslo	F	-4	25
Paris	[redacted]	3	37
Peking	[redacted]	-3	27
Prague	Sn	[redacted]	32
Reykjavik	[redacted]	2	36
Rhodes	R	11	52
Rio de Janeiro	C	31	88
Rome	S	11	52
Salzburg	Sn	0	32
San Francisco	S	10	50
Seoul	C	4	39
Singapore	R	25	77
Stockholm	F	1	34
Strasbourg	F	4	39
Sydney	S	25	77
Taipei	R	19	66
Tangier	F	15	59
Tel Aviv	F	19	66
Tenerife	F	21	70
Tokyo	F	12	54
Toronto	C	4	39
Tunis	F	14	57
Valencia	F	12	54
Venice	S	7	45
Vienna	S	-4	25
Warsaw	S	-8	18
Washington	S	4	39
Zurich	C	0	32

Temperatures at midday [redacted] C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny [redacted] T–Thunder

A FINANCIAL TIMES SERIES: Part 10

EUROPEAN FINANCE AND INVESTMENT

ITALY

SECTION III

AFTER YEARS of stagnation, Italy's antiquated banking system is changing beyond recognition, thanks to a wave of mergers and flotations. The philosophy of whether "big" necessarily means "better" has not [redacted] seriously questioned, but bigger [redacted] certainly what almost every leading bank is now trying to become.

The changes stem from [redacted] recognition, particularly among the political clans which pull the strings at the country's predominantly [redacted] owned banks, that they lag behind their main European rivals in terms [redacted] size, [redacted] services and efficiency. With the single market approaching, [redacted] lapses will become [redacted] more [redacted] competitive handicaps in future.

Already, the big banks are racing to buy up smaller counterparts or to consolidate [redacted] ing subsidiaries to take advantage of special [redacted] breaks, allowed under the new Amato banking law, before the August [redacted] deadline.

[redacted] similar [redacted] of change [redacted] under [redacted] the [redacted] ket, [redacted] the arrival [redacted] Societa [redacted] Intermediazione Mobiliare (Sim), Italy's [redacted] breed [redacted] stockbroker, fund manager and corporate [redacted] institution, is set to overturn the once-cosy world of Italian stockbroking.

While [redacted] bank changes [redacted] relatively smoothly, reform of the stock [redacted] has been considerably more painful. In time, the tremors now being felt on the bourse, which has been [redacted] by plunging trading volumes, financial scandals and broker bankruptcies, will [redacted] no more [redacted] tiny blips on [redacted] way to a smoothly functioning and internationally competitive financial services industry in Italy.

That [redacted] the [redacted] yet. Brokers [redacted] struggling [redacted] stay [redacted] their [redacted] and [redacted] who [redacted] whether to [redacted] buying [redacted] have seen one storm after another in the past three months.

Eventually, [redacted], along [redacted] other belated reforms such [redacted] equity trading, [redacted] and rules outlawing insider trading and protecting minority shareholders in takeover bids, will create a far more transparent and reliable market. Last month's introduction of screen-[redacted] trading in a limited number of [redacted] showed how innovation [redacted] tonic [redacted] sentiment [redacted]

Such innovations should eventually help the Milan bourse [redacted] "cowboy" image and adopt [redacted] economic importance that [redacted] primary equities market [redacted] biggest economies. [redacted] introduced promptly, they will [redacted] enable it to make up some of [redacted] ground [redacted] to London in equity trading.

[redacted] much of the [redacted] in place, it is now [redacted] participants [redacted] make the mar[redacted] work. That means not only brokers and floor traders, whose strikes [redacted] this year brought the bourse to [redacted] halt, but banks [redacted] regulators too.

Milan's stock [redacted] currently operating from a temporary building

Trevor Humphries

Time to catch up

A [redacted] of mergers and flotations is changing Italy's antiquated banking system beyond recognition, writes Haig Simonian. The changes stem from [redacted] belated recognition that the banks — and the stock market — lag behind their European rivals

The new rulebook [redacted] the [redacted] requires a [redacted] itself, [redacted] a complex [redacted] responsibilities [redacted] Consob, Italy's companies [redacted] market watchdog, and [redacted] central bank. Consob in particular still requires sharper teeth and [redacted] willingness [redacted] expand its currently limited Milan operations, even at the expense of its base in Rome. Meanwhile, [redacted] banks them[redacted] expected [redacted] Sims, will have [redacted] accept [redacted] responsibilities [redacted] ensuring [redacted] and [redacted] equity market.

A cleaner bourse [redacted] if it is [redacted] function as an [redacted] tive conduit for private capital to [redacted] public sector enterprises in any [redacted] privatisa[redacted] programme, [redacted] apparently [redacted] than [redacted]

[redacted] first in the queue. [redacted] law, public [redacted] gained [redacted] right [redacted] up [redacted] per [redacted] of their [redacted] bourse. In [redacted] weeks, even [redacted] per [redacted] barrier [redacted] appeared [redacted] as a result of the government's surging budget [redacted] the increasingly [redacted] finances of IRI, Italy's [redacted] public [redacted] holding [redacted] and the owner [redacted] some of [redacted] gest [redacted] Full privatisation may no longer [redacted] pipedream.

IRI [redacted] already [redacted] majority control [redacted] Banco [redacted] Roma, [redacted] three big [redacted] it owns, [redacted] a joint [redacted] in [redacted] it is [redacted] minority shareholder; in October, [redacted] virtually all its non-voting savings shares in [redacted] long, [redacted] may [redacted] be tempted or obliged [redacted] Commerciale Italiana, still [redacted] country's [redacted] distinguished financial institution, altogether.

Banco [redacted] Napoli, [redacted] first public sector bank [redacted] float [redacted] shares, tested the [redacted] month with mixed results, owing [redacted] controversial pricing. [redacted] in [redacted] Turin's Istituto [redacted] Paolo [redacted] Torino, [redacted] should tap [redacted] for [redacted] L1,250bn, and probably [redacted] lot [redacted], early [redacted] year.

The [redacted] will give [redacted] huge cash [redacted] and should also improve the position [redacted] the [redacted] by increasing the currently limited number of companies quoted. If fully privatised, they will also reinforce Italy's [redacted] present woefully small number of truly "public" quoted companies in the sense of not being dominated by a big family or industrial shareholder.

It is already clear how the [redacted] will spend a large part of their new resources. With the economic growth slowing sharply this year, banks will have [redacted] provisions, while some may also need [redacted] make bigger write-downs on their securities portfolios.

But in the longer term, the [redacted] from flotations will be used to fuel growth – beefing up ratios where necessary on the way. That growth will not [redacted] solely through higher lending, but geographical expansion too.

Last year's liberalisation of [redacted] rules on [redacted] branch openings has already [redacted] a tor[redacted] applications. All the big banks have ambitious expan[redacted] under way; the focus [redacted] on regions where they are already well represented. [redacted] satisfied, [redacted] will [redacted] to expand nationwide.

Growth will be spurred by acquisitions, leading [redacted] a continuing fall in the number of [redacted] operating in Italy. [redacted] the bigger banks are also looking increasingly abroad, where they remain well behind their main European rivals in [redacted] of coverage.

Spectacular takeover [redacted] unlikely. However, steady purchases of small and medium-sized [redacted] in neighbouring European [redacted] appear inevitable. Such [redacted] be concentrated in France, Spain and Portugal, where cultural barriers [redacted] relatively low for [redacted] Italians [redacted] opportu[redacted] for [redacted] buy and expand [redacted] greater [redacted] the UK, Germany [redacted] Switzerland.

In the meantime, foreign banks will continue trying [redacted] develop [redacted] in Italy – despite [redacted] year's [redacted] following the collapse [redacted] the Federconsorzi farm services group and [redacted] associated Agrifactoring financial services operation. [redacted] prices and lim[redacted] opportunities for bank takeovers have turned what [redacted] expected to be a flood into little [redacted] a trickle. But despite differing [redacted] pre-occupations for British, French [redacted] German banks, [redacted] interest in Italy is [redacted] strong.

Will Italian bankers ever venture beyond Europe for their acquisitions? This year [redacted] seen a steady flow of small transactions [redacted] eastern Europe and the Soviet Union [redacted] Italian [redacted] minority stakes [redacted] international consortia.

Some observers [redacted] that [redacted] might try [redacted] exploit the [redacted] depressed value [redacted] and the favourable lira/dollar exchange [redacted] by launching [redacted] acquisition. However, even [redacted], the 500th anniversary of [redacted] in which the Italian Christopher Columbus discovered [redacted] World, when Italian banking is set to change fundamentally, such [redacted] are limited to [redacted] very brave few.

IN THIS SURVEY

[redacted] *production* Gabriel [redacted]

As the economy tries to fall in line with other European nations...

Growth: wishful thinking

FOR THE next 12 months the Italian banking and financial system will have to operate against the uncertain backdrop of [illegible] stagnant domestic economy struggling to fall into line with its main European partners.

All the official forecasts for this year's economic performance have been too optimistic, singularly failing to predict the extent of the slowdown in manufacturing and the decrease in domestic demand. Even now, the Andreotti government clings to the hope that 1991 growth will be 1.4 per cent, almost half the original aim. More sceptical groups like the industrialists' confederation, Confindustria, predict the economy will grow by less than 1 per cent.

The fall in productive investment has certainly been sharp. The International Monetary Fund in August reckoned gross fixed investment would grow 0.6 per cent against 3 per cent the previous year; while the latest Confindustria estimate is that investment will have declined 1.7 per cent in 1991.

The slowdown is mirrored in the reduced expansion of credit advanced by the financial system which grew 12.3 per cent in the first eight months, nearly three percentage points less than in the same period of 1990. In the private sector demand for credit has switched from funding production to financing stocks, a telling indicator of recession. Meanwhile, the averarge monthly growth in deposits has slowed to under 6 per cent.

The government pretends that 2.3 per cent growth can be achieved next year. At this stage such a projection can only be seen as wishful thinking in the run-up to elections, which are due at the latest by May 1992. Domestic demand is likely to continue [illegible] while the economic state of Italy's main industrial partners remains unpredictable.

Public [illegible] spending is being contained in [illegible] modestly restrictive [illegible] budget, intended to hold down the public [illegible] 10.5 per cent of GDP. Given Italy's commitment to [illegible] to halve the size of the deficit as a percentage [illegible] on spending will [illegible] if not accentuate beyond 1992.

The 1992 budget envisages a 4.5 per cent ceiling on public sector wage increases. This should bring them into line with private sector wages which have increased at half the rate in the past two years. Even so, private [illegible] labour costs have been rising annually at 8 per cent, nearly double that of France and Germany. An [illegible] of indexation remains in wages despite attempts [illegible] get rid of the *scala mobile* altogether, and this will continue to inhibit the battle against inflation.

Inflation this year has remained obstinately above 6 per cent, [illegible] percentage point higher than envisaged. The government faces pressure to reduce annual inflation to the 4.5 per cent proposed in the 1992 budget calculations. The budget figures themselves [illegible] taken with [illegible]ticism. The Treasury [illegible] attempting to limit its needs to L128,000bn against L141,000bn this year. This means finding an extra L55,000bn to prevent a tendential [illegible] in [illegible] budget deficit.

The government [illegible] resorted to exceptional measures rather than structural changes to generate income – in particular privatisation (L15,000bn) and a large and controversial tax amnesty (L12,000bn). The latter sources of receipts must be considered highly variable because the success of the amnesty is far from taken from granted, while privatisation is likely to take much longer to prepare and execute – even if there is a firm commitment to carry it out (which is not so evident in a factious coalition government). The entire package is based upon 2.5 per cent growth, and lower growth will inevitably have a negative impact on fiscal receipts.

The need to finance the budget deficit has put pressure on the money supply; but the Bank of Italy insists deficit funding has to come from the market, not the printing presses, and its target has been broadly adhered to. Money supply (M2) increased on average 7.1 per cent in the first nine months against an agreed band of 5-8 per cent.

The L104,000bn deficit [illegible] the first nine months was financed to the tune of L94,000bn by treasury bills, mainly medium and long term, with a further L6,000bn coming from abroad. Gross emission of treasury bills totalled L613,000bn, up by L66,000bn on the same nine months in 1990.

Nearly all the budget deficit now covers the cost of servicing Italy's debt which has reached 103 per cent of GDP. The success of funding this huge debt stock through the domestic market continues to surprise outside observers. An important element in the attraction of treasury bills (BOTs) has been the low taxes applied and their anonymity. The BOTs also benefit from the limited choice of investment instruments available to Italian investors.

But this massive reliance on the domestic market means interest rates have to be finely tuned and this year they have had to be kept around 11.5 per cent. The differential with German interest rates has oscillated between 2 and 3 per cent.

The deterioration of the Italian economy is also evident in the external accounts. Exports have remained static in terms of quantity and scarcely increased in value; meanwhile imports rose 2.3 per cent in the first eight months in quantity. This confirms a trend of declining competivity of Italian exports. Indeed between 1985-90 imports grew 44 per cent and exports increased only 27 per cent. According to the Bank of Italy, the balance of payments current account will run a deficit in 1991, equivalent to 1.2 per cent of GDP.

Since January 1990, Italy has been inside the narrow band of the European Monetary System and the lira has devalued by just over 1 per cent; it remains at the bottom end of its band. However, the lira has never moved lower than 757.16 against the D-Mark and at the end of November was trading at around L755 to the D-Mark compared to its maximum permitted of L765.40 inside the narrow band.

The stability of the lira, coupled with liberalisation of capital movement, has been a fundamental plank of economic and financial policy. This has been one of the most successfully managed policies over the past year. Yet as pressures increase on Italy to make its economic and financial system converge more closely with the rest of Europe, questions are bound to be raised about the value of the lira. For the moment the government determinedly rules any suggestion of devaluation.

Robert Graham

EXPORT CREDITS

The price of aggression

THE [illegible] Italian government has provided export [illegible] win contracts abroad has long been envied by competitors. However, this policy is costly since the cover has been extended to [illegible] countries precisely where the political risk is high, writes Robert Graham.

This year Sace, the state entity [illegible] provides medium- and long-term risk cover, [illegible] to pay out indemnities worth Lire 2,400bn (£1.1bn) with provisions for a further rise to L2,800bn in 1992. Indeed, Sace has been obliged to seek an extra L1,800bn in extra funds from the treasury in the 1992 budget to make up the growing shortfall between indemnity payments and income from premiums.

Just over 55 per cent of Sace's exposure lies in two east European countries – Poland and the Soviet Union – and three Opec members, Algeria, Iran and Iraq. Except for Poland, this exposure represents a conscious policy of encouraging trade with countries from which Italy imports energy supplies and with which there are major trade deficits that need balancing.

In all [illegible] countries [illegible] risks remain uncertain, even if the [illegible] of Algeria [illegible] resolved at the end of October. In particular, exposure in Iraq to the tune of L3,000bn looks problematical because of continued uncertainties [illegible] from the Gulf War and the persistence of President Saddam Hussein. (The Sace exposure excludes defence deals and nearly L4,000bn at risk on loans extended by the Banco Nazionale del Lavoro).

Meanwhile, credit cover extended to deals with the [illegible] been clouded by the breakdown [illegible] authority [illegible] and doubts about which entity will or can assume legal responsibility for the contracts. Mr Mario Draghi, director [illegible] the Treasury and Sace's board chairman, went to Moscow at the end of October to clarify the [illegible] of legal responsibility, but returned with matters still in the air.

The Italian authorities, like other [illegible] member countries, are anxious to establish the relationships between the Vnesheconombank (Veb), the Soviet bank in charge of foreign trade, and the new regional/national governments. Sace exposure to the Soviet Union totals L5,600bn.

The growing financial difficulties of the central government have made it essential to delineate and enforce the respe[illegible] liabiliti[illegible] and responsibilities of the regional/national governments [illegible] Veb. All the more so since Sace has guaranteed credit lines worth L5,000bn over the five-year period 1990-94, on top of direct credit guarantees from the Treasury for L2,200bn. The Soviet Union has yet to draw on the first L1,000bn tranche of the five-year credit guarantee agreement.

Argument within Sace and the Treasury over how to treat Soviet risk provoked the resignation in February of Mr Mario Sarcinelli, [illegible] chairman. The debate centred on whether premiums should be raised [illegible] cover increased risk and whether Sace should guarantee 100 per cent or merely 90 per cent of the risk. As of now, premiums have not been raised but only 90 per cent is covered.

Sace's undertakings regarding Algeria, a key supplier of gas, are even larger than those of the Soviet Union. In December 1990, the Italian government agreed to provide a total of $7.2bn in credit lines. Of this, $2.4bn was earmarked to repay existing loans falling due in [illegible] 1993, another $4.3n to [illegible] purchase of goods an[illegible] in Italy and $300m to cover the supply of steel. The arrangement was held up until last month by disagreements [illegible] guarantees [illegible] the [illegible] of Algerian methane, the principal form of payment.

Strategic decisions by the government to promote trade have meant that Sace has provided political risk cover to credit lines where other G7 countries have been more cautious or removed countries from export credit guarantee cover. As yet, there is no harmonisation with other EC members on country risk classification. For instance, Italy has been willing to extend credit to debt-ridden Argentina largely because of close links with the Italian community there. However, Sace and the Italian government are under pressure from Brussels to create greater transparency to ensure that political risk cover is not a disguised form of unfair competition.

On average, Sace has covered between 7-10 per cent of annual exports since it was set up in 1977. However, the size of indemnities has doubled in the past five years and over 95 per cent of the monies recovered by Sace now derive from bilateral inter-government debt restructuring agreements.

Sace is controlled by the Treasury, although the board also contains representatives from other ministries. In January, the entity formally moved out of short-term commercial cover to ensure it would not go against EC competition policy after 1992. This was done by an agreement with Siac, the privately controlled insurer in which major Italian financial institutions and industrial groups are shareholders.

Siac will now offer all the policies on short-term commercial cover and will also act for Sace to collect premiums. But Sace will continue to accept Siac's re-insurance business.

Portfolio Investment Flows (Lbn)

	1987	1988	1989	1990
Outward flows				
Multilateral institutions	4,295	11,261	21,039	46,153
France	889	1,974	2,236	4,450
Germany	2,793	4,559	3,540	4,936
UK	2,017	3,011	2,144	4,707
Luxembourg	1,428	717	1,141	5,961
Switzerland	322	491	2,517	3,596
Japan	1,080	2,715	3,432	6,824
US	3,302	3,325	6,030	8,152
Others	2,749	5,638	10,284	18,471
TOTAL	18,865	33,910	52,363	104,214
Inward flows				
Multilateral institutions	1,960	6,108	10,352	32,048
France	554	1,856	3,552	3,512
Germany	2,334	3,837	4,303	4,550
UK	1,063	3,313	2,038	3,785
Luxembourg	1,677	2,115	2,456	3,683
Switzerland	209	261	1,699	1,495
Japan	903	1,993	2,771	3,523
US	2,893	2,892	4,737	6,638
Others	2,290	4,435	8,068	21,994
TOTAL	13,883	26,810	38,996	81,229

Source: Bank of Italy

Capital movements

The most active investors

THE liberalisation of capital movements in January 1990 has had a dramatic impact on investment flows, with Italians taking full advantage [illegible] the freedom to move funds in and out of the country.

During the course of last year the volume of new portfolio investment abroad more than doubled to L104,214bn, while the net outflow of new funds also rose twofold to L22,985bn. Compared with five years ago, the new registered outflow of portfolio investment has increased sevenfold.

In part, these increases represent institutions and individuals carrying out portfolio investments via the newly legitimised channels and [illegible] longer resorting to [illegible] means of capital transfer abroad. But much of the movement was accounted for by investors taking advantage of liberalisation to place funds abroad in large quantities for the first time.

Proportionately, private investors have been the most active. In less than three years the share of the latter in foreign portfolio investment has grown from a quarter to nearly half. Private investors have also been more active proportionately in generating inward flows. Thus last [illegible] private investors placed L30,147bn abroad and brought L23,042bn back into the country, compared to L62,784bn and L39,872bn respectively generated by financial institutions.

According to the Bank of Italy, nearly half this investment has been directed towards the purchase of securities issued by multi-national groups and public entities which offer tax exemptions. The latter accounted for 44 per cent of all outward portfolio investment in 1990. Other outward investments were made in securities in the US (7.8 per cent), Japan [illegible] cent), Luxembourg (5.7 per cent), Germany (4.7 per cent), the UK (4.5 per [illegible] France [illegible] and Switzerland (3.5%).

The [illegible] outflow of funds has risen sharply in four years moving from L7,235bn to L32,211bn. Nevertheless, the deficit is still relatively small. That said, the bulk of inward investment is in the form of purchase of treasury bills, and since the latter are an essential part of funding the budget deficit, domestic interest rates have to be kept high.

Robert Graham

Banks: moves towards a more modern structure

The pecking order will be overturned

WITH two steps forward and one step back, Italian banking is gradually moving towards a more modern structure, which should result in fewer, bigger and possibly slightly more international financial institutions.

But although progress, spurred by last year's landmark Amato banking reform, [illegible] steady, it is not always smooth. In a banking system dominated by public [illegible] institutions, political factors often overcloud what is already a complex commercial background.

So far, two clear trends have emerged.

■ **Acquisitions.** Two big takeovers now under way will overturn the current pecking order among Italian banks in terms of asset size, toppling Banca Nazionale del Lavoro (BNL) from its perch as the [illegible]try's biggest financial institution. In its place will be at [illegible] two rivals; Istituto Bancario San Paolo di Torino, the big Turin-based bank, and the new banking alliance being formed by Cassa di Risparmio di Roma, the Rome savings bank.

San Paolo's growth has been boosted by the purchase of Crediop, the big Rome-based medium- and long-term credit institution, in which it took an opening 29.7 per cent stake in March 1989. Since then, links between the two have grown, with San Paolo transferring all its public works lending activities to Crediop, which specialises in such business, soon after buying its first tranche of shares.

[illegible] October, [illegible] Paolo, [illegible] Crediop [illegible] up [illegible] around 40 per cent [illegible] meantime, [illegible] go-ahead to buy another 50 per cent holding owned by the Treasury. The sale forms part of the government's ambitious plan to raise L15,000bn through privatisations and asset sales in the next year.

Crediop is not coming cheap. The deal, based on a valuation by Kleinwort Benson, the UK merchant bank, gave it a L4,200bn price tag. San Paolo will have to cough up around half of that for its newest stake, while the government will retain a 10 per cent holding.

The deal offers San Paolo little in terms of branches or retail coverage, as Crediop is very much a specialist wholesale lender. But with total assets amounting to L36,379bn at the end of last year, the acquisition will propel San Paolo [illegible] the top slot among Italian banks in asset terms.

Rome is also the scene of the three-way merger of Cassa di Risparmio di Roma, Banco di Santo Spirito and Banco di Roma. The Rome Cassa, run by Mr Cesare Geronzi, was already expected to take over Banco di Santo Spirito, formerly owned by the IRI state holding company, after buying an opening 51 per cent stake in 1988.

The IMI-Cariplo merger has a tortured political history

But late last year, Mr Geronzi scored a much bigger coup by persuading IRI to sell Banco di Roma, one of the three big IRI-owned "banks of national interest" too. After a complex series of moves, including the partial stock [illegible] flotation of [illegible] Spirito, [illegible] Rome Cassa is now the main [illegible] holder in a holding company which owns all three banks.

The formal [illegible] of Santo Spirito was completed last month, while the incorporation of Banco di Roma will follow in April. [illegible] completed, the resulting institution, [illegible] called Banca di Roma, will be Italy's second biggest bank, with total assets of at least L130,000bn. However, it looks likely to be number one nationally in terms of branches, with over 1,000 branches, concentrated in central and southern Italy.

Italy's third big banking merger, involving Istituto Mobiliare Italiano (IMI), the big Rome-based investment banking and financial services group, and Cariplo, Italy's biggest savings bank, has been under discussion for almost as long as the two other deals.

But it has had a much more tortured political history and looks as uncertain as ever. The main problem has been political opposition, principally from the Socialist party, to another big takeover by a bank strongly identified with the majority Christian Democrat party. Cariplo, like San Paolo and the Rome Cassa, falls very much into that category.

But the Socialist position is also part of the wider, highly politicised, debate over the future of BNL. Although its earnings are improving, BNL's image and profitability have suffered badly as a result of the scandal at its Atlanta, Georgia branch in September 1989, where around $3bn of unauthorised letters of credit to Iraq came to light.

Although owned by the Treasury, the bank is closely associated with the Socialists. Party leaders are now demanding a government cash injection or a forced marriage with a healthier bank to restore BNL's fortunes. In either event, the party would expect to consolidate its position in Italian banking by having a major say in management appointments at the bank.

This background has made the already difficult commercial discussions over an IMI-Cariplo merger even more complicated. To minimise the political impact, Cariplo had suggested buying IMI jointly – albeit under its leadership – with a small group of other big north Italian savings banks.

Even that solution collapsed [illegible] the recent decision by [illegible] members of the pact not to proceed. Supporters of the deal, including the Bank of Italy, are now searching for other candidates to join Cariplo's pool. Meanwhile, the simplest solution, a direct takeover by Cariplo alone, remains politically blocked.

Several smaller acquisitions have also taken place in recent months. Last October, Banco Ambrosiano Veneto (Ambroveneto), the fast-expanding north Italian bank, paid L345bn for over 92 per cent of Citibank Italia, the 46-branch southern Italian retail banking operation owned by the big US bank.

The deal will give Ambroveneto, already Italy's largest private sector bank, a big boost in Naples and the south, where Citibank Italia, previously known as Banco Centro Sud before being bought by the US bank, is concentrated.

Trevor Humphries

The Bank of Italy in Milan's Piazza Tomasso Edison

Even Banca Commerciale Italiana (BCI), still probably the country's most prestigious bank, despite San Paolo's presence on its heels, has succumbed to the takeover wave. Last August, it spent L130bn to buy an undisclosed stake, believed to be 51 per cent, in the 61-branch Banca Sicula, one of the largest banks in Sicily.

Some other important acquisitions are still pending. Most prominent among them is the rescue by Monte dei Paschi di Siena of the Cassa di Risparmio di Prato, the city of Prato's savings bank. The Prato bank has been badly hit by the economic crisis facing the city, particularly in the textile industry. If the deal comes off, it will reinforce Monte dei Paschi's existing dominance in its home region of Tuscany.

■ **Flotations** are the second facet of the fast-changing domestic banking scene. Under the Amato Law, public sector banks have gained the right to float up to 49 per cent of their ordinary shares on the bourse.

The first deal of the type took place last month, when Banco di Napoli floated 100m new ordinary shares, corresponding to around 20 per cent of its capital. Many more such transactions will follow as other big banks undertake the complex and time-consuming course of changing their statutes to become joint stock companies (SpAs) and taking the plunge to go public.

San Paolo looks next in line. Last month it announced plans for a rights issue of at least L1,250bn. The final figure could be a lot more, depending on the premium the bank charges over the nominal value of the new shares being issued. As with Banco di Napoli, around 20 per cent of its capital will be floating once the deal takes place, probably next April.

Next year promises a flood of other bank flotations, as many other state [illegible] municipally-owned banks become SpAs.

But by no means all of those changing their statutes to become joint stock companies will go the whole hog and go public too. Cariplo for one has so far eschewed any plans for a flotation, despite having taken the necessary steps to become an SpA.

Meanwhile, a number of secondary share placings are also on the cards. The IRI-owned banks will be affected. In October, IRI raised around L210bn by selling 115m non-voting savings shares in Credito Italiano, one of the two Milan-based banks it controls. Following the deal, the proportion of Credito Italiano savings shares it owned fell to 17 from 56.9 per cent.

With financial pressures on IRI mounting, a similar move may be on the cards for its stake, currently around 30 per cent in the holding company controlling the new Banca di Roma. When a placing will come is not clear, but bankers close to the deal doubt IRI will retain so large a holding in the new bank by the time it is formed next April.

An even more radical step may be planned for BCI, the jewel in IRI's banking crown. With talk of privatisation growing daily, some observers think BCI may be the first of Italy's public sector banks to be privatised in the t[illegible] of the word, with the state [illegible]ing up more than 50 per cent of the ordinary shares. So far, IRI has given no sign of such revolutionary thinking. But it may only be a matter of time.

Haig Simonian

SYNDICATED LOANS

Federconsorzi — and after

THE COLLAPSE [illegible] this year [illegible] the Italian [illegible] services group, has [illegible] the availability [illegible] financing for [illegible] Italian state [illegible] in the syndicated loan [illegible]. However, borrowers have recently started returning to the market.

Throughout [illegible] some [illegible] refused [illegible] lend [illegible] Italian [illegible] a [illegible] government's [illegible] good their exposure [illegible] Federconsorzi, which was state-owned but not government-guaranteed. The banks [illegible] Italian government is relying on a legal technicality.

The collapse left Federconsorzi with debts of L4,200bn. The impact has been magnified by the heavy reliance of many Italian state agencies on the [illegible]yndicated loan market.

Since [illegible] summer, [illegible] been [illegible] on hold or [illegible]layed. Funding [illegible] [illegible]creased, and some borrowers, [illegible] Mediocredito Centrale, [illegible] private loan [illegible]rangements.

The top state-owned borrow[illegible], like Ferrovie, the railway, [illegible] ENEL, the electricity util[illegible], may have relatively heavy [illegible]ding requirements, but they [illegible] have easy access to a [illegible]ge of financial markets.

[illegible]t the other end of the spec[illegible], small financial institu[illegible] have been heavily reliant [illegible] syndicated loan market, [illegible] would find it hard [illegible]

[illegible]cently, [illegible] though [illegible] of Federconsorzi's [illegible] remains confused, [illegible] [illegible]rn [illegible] the market.

[illegible] end [illegible] month, [illegible]de, [illegible] Italian [illegible] [illegible]rator, completed [illegible] an Italian [illegible] borrower since the Federconsorzi problems arose.

The deal had been postponed and then reduced because of financing difficulties in the sector. But in the event, it was oversubscribed and increased from Ecu100m to Ecu125m. The underwriting group for the seven-year deal included several Japanese banks. These have previously been among the strongest critics of the handling of the Federconsorzi issue.

Other loans currently in the market include an Ecu100m term loan maturing in 2002 for Monte dei Paschi di Siena, a $138.5m deal for Instituto di Credito Fondiario delle Venezie and a L75bn loan for Isveimer.

Some borrowers which have previously been restricted to the syndicated loan market are trying to spread their reach into other markets.

For example, the finance arm [illegible] Ilva, the [illegible] company which is part [illegible] government-held IRI group, [illegible] through an [illegible] floating [illegible] last month. An FRN is something of a hybrid of a syndicated loan and a fixed-rate bond, in terms of its investor base – still held largely by banks, but more widely held and traded – than a loan.

Merrill Lynch, the lead manager, said the deal was "a first step" towards widening Ilva's investor base, estimating that around 40 per cent of the deal will be held by existing bank investors, with the remainder reaching a wider audience.

However, there is unlikely to be a mass desertion from the syndicated loan market to the more credit-sensitive FRN market.

Tracy Corrigan

Euromobiliare, the merchant bank, is profiled by **Haig Simonian**

Midland's link to Milan

WITH THE shareholding balance in Euromobiliare, the Milan-based [redacted] bank, now having tipped decisively in favour of the UK's Midland Bank after its purchase in March of a further [redacted] per cent, it could be argued that the company is in danger of losing its domestic identity.

But despite Midland's hold over 54.6 per cent of its shares, Euromobiliare [redacted] still very much [redacted] Italian bank. Where else, for example, could former arch-rivals like Mr Carlo De Benedetti and Mr Silvio Berlus[redacted] be found on [redacted] board?

The fact that Midland's majority ownership has been barely noticed, let alone commented upon, reflects [redacted] depth of Euromobiliare's local roots and the discretion with which the latest exchange of shares took place.

Founded [redacted] small finance house in 1973 by Mr Guido Roberto Vitale, its chief [redacted]utive, Euromobiliare in [redacted] became the first private sector company in Italy to get [redacted] banking licence in over 40 [redacted]. Since then, [redacted] of activities has grown while total staff now exceeds 200.

It has not been plain sailing. Write-downs on securities holdings [redacted] the bank, currently [redacted] around L180bn, with a L13.8bn loss in 1987-88. But profits have recovered, although comparisons are complicated by the shift in 1989 from a [redacted] year-end. In the first half [redacted] this year, group net [redacted] remained virtually [redacted] at L7.6bn, while the full-year 1991 figure will be "broadly in line" with the L9.5bn made after tax in [redacted] Mr Vitale.

Midland's majority [redacted]ship coincides with a period of change [redacted] bank, which [redacted] adopting a holding company structure. [redacted] the parent [redacted] will [redacted] charge [redacted] specialised finance and development capital, separate subsidiaries are being created for commercial banking and trea[redacted] operations, equity trading, mutual funds, mortgage lending and merchant banking.

The idea is [redacted] shift from the narrower UK type of merchant banking, based primarily [redacted] corporate finance and [redacted] the broader French and German models, [redacted] Mr Vitale. "We will have [redacted] develop [redacted] mainstream banking, more equity investment in industrial companies and more lending.

"Our philosophy has always been to be broadly based, and it will remain so. [redacted] of the [redacted] in which [redacted] really deep enough [redacted] steady [redacted]ing. I think this [redacted] right structure now."

Commercial banking is expanding slowly, with the opening in July of a new branch in Florence to supplement the office in Milan. Meanwhile, equity trading will [redacted] with the creation of a Societa di Intermediazione Mobiliare (Sim), Italy's new [redacted] equity broking and fund management operation.

But despite the changes, corporate finance, [redacted] which the bank remains best known, will retain [redacted] central role. Euromobiliare claims to [redacted] second largest corporate finance team in Italy, much of whose time is spent on M&A.

While 1989 [redacted] 1990 were [redacted] by [redacted] large number of small deals, this year has [redacted] for fewer, [redacted] transactions. The [redacted] – and probably [redacted] year's largest domestic M&A deal – was the L504bn sale of a controlling stake in Latina, the insurance company controlled by the De Benedetti group, to Fondiaria, the Florentine insurer. "It [redacted] important [redacted] us [redacted] one big deal after [redacted] many small and medium-sized transactions," says Mr Vitale.

Valuations [redacted] also grown in importance. Many [redacted] most conspicuous mandates for privatisation-related deals have [redacted] to foreign merchant banks, [redacted]ing some [redacted] domestically.

But Euromobiliare has had its slice of the cake. It has won the mandate to value Italstat and Italimpianti, the civil engineering and plant building subsidiaries respectively of IRI, Italy's [redacted] holding company.

That has involved a plethora of valuations, as both Italstat [redacted]d Italimpianti, which will merge [redacted] form a single company called Iritecna, have dozens of subsidiaries. "Euromobiliare has had to value around 75 subsidiaries with sales of [redacted] L10bn, [redacted] alone [redacted] smaller ones", [redacted] Mr Vitale.

Guido Vitale: not so many visitors now

Last month saw the realisation [redacted] another long-running project, with the appearance of L'Indipendente, [redacted] daily newspaper. The project [redacted] from an approach in 1989 from Mr Ricardo Franco Levi, the [redacted]ditor, who had [redacted] impressed by The Independent in the UK.

"We saw the venture as good and timely", [redacted] Mr Vitale. Euromobiliare raised the capital, finding seven shareholders, who have bought 70 per cent of the [redacted], and distributing a further 25 per cent in smaller packets among 21 individuals. The remainder [redacted] and journalists.

Although now completed, the process took longer than expected owing to [redacted] uncertain[redacted] caused by the long-running battle between Mr De Benedetti [redacted] Mr Berlusconi [redacted] control [redacted] the Mondadori media group, especially its newspaper assets.

Yet despite the role of such deals in underlining Euromobiliare's Italian identity, its UK paren[redacted] is becoming more evident. Co-ordination with London has developed in treasury products like swaps and deriv[redacted] and in distributing Italian government bonds abroad.

Corporate [redacted] and venture capital links have been tightened, with staff commut[redacted] regularly, and [redacted] spending extended periods in the City. Conversely, visits from Midland's top [redacted] declined. "At first they [redacted]ted [redacted] get to know the peop[redacted] and what they'd bought, but [redacted] there are not so [redacted]tors," says Mr Vitale.

Euromobiliare's investment banking activities will [redacted] become even more closely identified with Midland's international activities, operating under the Samuel Montagu banner.

Montagu has always been active in Italy. Last month, it won [redacted] mandate [redacted] arrange [redacted] Cementir, IRI's cement subsidiary. And [redacted] year, it acted for the Brazilian [redacted] in the [redacted] the Ferruzzi group of a stake in the Telemontecarlo television station.

Under the changes, the new subsidiary responsible for Euromobiliare's investment banking activities, including M&A, specialised finance and venture capital, will [redacted] renamed Euromobiliare Mont[redacted] Hardly a revolution, but [redacted] sign that a slap of international polish can benefit even [redacted] Italian bank's [redacted]

Haig Simonian looks behind the SBC/M&A nameplate

A Swiss slice of the action

THE letters SBC/M&A on the unostentatious nameplate give little away. But once inside, [redacted] more unusual foreign-owned [redacted] ventures currently active in Italy comes to life.

Now wholly-owned by [redacted] Bank Corporation (SBC), the operation [redacted] established in [redacted] Mergers [redacted] Acquisi[redacted], a purely Italian initiative by Mr Enrico Minoli. He aimed to tap into the growing market for corporate finance and mergers and acquisitions services for smaller and medium-sized Italian companies by [redacted] contacts in accountancy and the [redacted].

In July 1989, SBC took 70 per [redacted] in [redacted], which [redacted] now [redacted] only operation in Italy. "We were looking for a company with [redacted] good [redacted] record," says Mr Giovanni Orlando, [redacted] executive who [redacted] now managing director alongside Mr Minoli. "Even today, most big UK and US houses handle Italy [redacted] specialised London-based marketing teams, who bring in product and [redacted] people for big [redacted]

"But if you take [redacted] – the [redacted] biggest deals each year – you are left with a lot of deals which the world doesn't know about, but which are still very interesting. It was traditionally a business for professionals, not institutions."

[redacted] its [redacted] SBC/M&A [redacted] kept [redacted] focus on small [redacted] medium-sized [redacted]. But by using the cachet and contacts available since SBC moved in, greater emphasis has been put on forging links with Italy's biggest concerns too.

"The result of the integration means [redacted] kept [redacted] and medium-sized market, which is important in Italy [redacted] entirely [redacted] by the big international houses, with the traditional SBC [redacted]ent base [redacted] that as well," says Mr [redacted]

The [redacted] now employs 10 professionals, [redacted] them from SBC, with [redacted] remainder, stemming from the original operation. Last [redacted] vied with Euromobiliare for [redacted] slot in a league table of M&A advisers. That ranking is likely to be repeated in 1991.

Most of its deals still come from small and medium-sized companies. That [redacted] partly reflect the current slowdown in [redacted] Italian M&A scene and, perhaps, the difficulties [redacted] for SBC of breaking into [redacted] biggest transactions.

In [redacted], it handled the [redacted] the SAIMA and Avendero transport [redacted] to form the [redacted] company of its kind in Italy. The same year it also advised on the amalgamation of the Fondedile and Icla building [redacted], which now rank [redacted] the country's 10 big[redacted] construction groups.

[redacted] companies have not entirely escaped its grasp. Last year, SBC/M&A advised Enimont, the chemicals group then still jointly owned by ENI and Montedison, on the sale of [redacted] Auschem and [redacted] subsidiaries.

This [redacted] also brought a [redacted] single transaction advising [redacted] Partners, [redacted] ambitious investment banking operation [redacted] by Mr Sergio Cragnotti, the former Enimont [redacted] executive, on [redacted] purchase of [redacted] $600m [redacted] the Ja/Mont [redacted] joint venture. Contacts between Mr Cragnotti and SBC/M&A look [redacted] to flourish, although competitors may well attribute that to SBC's position as the big[redacted]gest single shareholder in Cragnotti [redacted] in which it spent L45bn on a 10 per cent [redacted] last [redacted].

Apart from [redacted] acquisitions, SBC has also been buying stakes in big Italian family-owned companies. The policy, begun in late 1989, has now resulted in a list of investments which includes Belleli, [redacted] Mantova-based plant building and engineering [redacted], Cagiva, Europe's largest motorcycle manufacturer and the Cerutti [redacted] group. More recent [redacted] include Legler, Europe's biggest denim manufacturer, Trevitex, another textiles group and the Salvagnini machine tool man[redacted]

"The idea is to establish ourselves as the Hausbank, or permanent adviser, for corpo[redacted] finance [redacted] companies," explains Mr Orlando. The link [redacted] investor and advisor is under[redacted] "In order to make an [redacted] in [redacted] business, you have to [redacted] to know that company ins[redacted] out. In [redacted] end, they come to trust you as a credible partner."

The search for suitable investments [redacted] gone well. But [redacted] other foreign bankers [redacted] equity stakes in non-quoted companies, Mr Orlando admits that the current economic slowdown [redacted] cautious approach to investing.

That has been reinforced by the fact none of the companies in which SBC has participated has yet gone public. The bank stresses that [redacted] has set a time-frame of three to four [redacted] realising its holdings, and that the lack [redacted] flotations stems from external circumstances [redacted] than problems at the companies themselves.

"The performance [redacted] the [redacted] market [redacted] been [redacted] that we have refrained from making our investments grow," [redacted] Mr Orlando. With [redacted] prices depressed and the bourse, [redacted] by scandals, currently in transition, most family owners hardly find the timing for flotations ideal.

The bank has no [redacted] how much [redacted] prepared [redacted] plough in. But, as Mr Orlando explains, "if we had [redacted] returns from our investments, it would have been easier. For the moment, we're sitting on the fence."

However, the bank's profile may rise well before [redacted] moves [redacted] the stock market front. Last month, it was appointed by the court handling [redacted] affairs [redacted] the bankrupt Federconsorzi farm services group to arrange the sale of its Fedital foods subsidiary.

Fedital, which has also experienced financial difficulties, [redacted] best known for its Polenghi Lombardo dairy and cheese subsidiary. Polenghi holds around 5 per cent of the Italian market for long-life milk, [redacted] its [redacted] rising to around 30 per cent in part[redacted] of southern Italy such as [redacted]cily and Calabria.

Offers for tender were put out last month. It is possible that a second round of bidding may be required. [redacted] it is already clear that foreign and Italian candidates are interested. With its desire to take part in bigger-ticket business, SBC/M&A will welcome the prominence [redacted] brings.

European investors join in, writes **Tracy Corrigan**

Bonds in the limelight

IN THE [redacted] 1991, [redacted] Italian bond market has [redacted] from [redacted] largely [redacted] marketplace [redacted] an actively traded international market, with [redacted] and option contracts [redacted] on the underlying bonds.

Technical and economic changes [redacted] thrust [redacted] Italy [redacted] benefited [redacted] most important investment strategy this [redacted] convergence – [redacted] theory [redacted] economic [redacted] in EC countries [redacted] moving closer together, [redacted] down rates in high-yielding [redacted] markets.

Italy [redacted] date, and [redacted] the [redacted] date, 10-year bonds have posted [redacted] 18 [redacted] cent, according [redacted] Midland Montagu Research.

[redacted] view [redacted] less risky [redacted] execute [redacted] Italy entered [redacted] narrow [redacted] exchange rate mechanism early in [redacted]. The substantial reduction in currency risk proved a catalyst for the participation of European investors, according to traders.

Italy boasts the third largest bond market in the world after [redacted] US [redacted] Japan, but until recently lagged [redacted] smaller markets in terms of international investment and trading. Despite huge borrowing [redacted], the Italian [redacted]ties had done little to reform the [redacted]

Most [redacted] the [redacted] in floating [redacted] form, of [redacted] duration, and relied on [redacted] mainly domestic retail investor base. Only in May [redacted] did [redacted] Treasury [redacted] rate maturities beyond five years, [redacted] its [redacted] seven-year Buoni del Tesoro Poliennali (BTP).

In February, [redacted] first 10-year BTP was issued, and subsequently the Treasury [redacted] pur[redacted] BTP issu[redacted] which [redacted] profile [redacted] maturities, resulting in a surge in international participation.

A [redacted] L227,470bn [redacted] BTPs [redacted] now outstanding, and around [redacted] average daily volume [redacted] L6,000bn [redacted] channelled through London.

Another crucial change [redacted] been [redacted] withholding tax rules, which involved simplifying the [redacted] foreign [redacted]ing tax. [redacted] changes [redacted] system [redacted] obtaining withholding [redacted] refunds [redacted] Italian bonds [redacted] in [redacted] April [redacted] not [redacted] fruit [redacted] September. As investors in London [redacted] began to [redacted] their cheques, confidence in the efficacy [redacted] the [redacted] system soared, providing a [redacted] fillip for the market. But many analysts believe that at some stage Italy will have to fall in line with other European mar[redacted] by paying [redacted] investors.

Against a background [redacted] performance, interna[redacted] and convergence, [redacted] on Italian [redacted] in September. In the subseq[redacted] struggle for dominance of the market, the London [redacted] Financial Future has gained [redacted] upper hand, recording volume [redacted] contracts [redacted] October, with open interest [redacted] 17,909. The [redacted] demand [redacted] con[redacted] prompted [redacted] option on [redacted] future contract, launched [redacted] the end [redacted]

Meanwhile, volume on the rival [redacted] the [redacted] futures exchange, reached only 26,277 [redacted] at 5,693 [redacted]

[redacted] that Liffe [redacted] naturally [redacted] the London exchange, [redacted] Liffe [redacted] proved liquid.

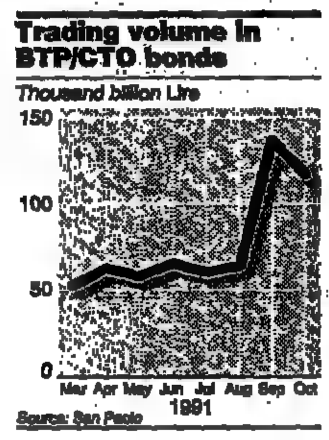
Meanwhile, the Italian authorities are [redacted] develop their own futures market as quickly as possible. The Italian futures market will be added to the existing screen-based cash bond market.

In November, [redacted] Bank of Italy, [redacted] (the regulatory authority), and [redacted] primary dealers in the cash bond market reached [redacted] agreement in principle on the structure of the new market, and a formal, written agreement is expected soon. The primary dealers will be the shareholders and members of a new clearing house, created to serve the futures market.

The target [redacted] launch of the new market is June. Some bankers remain sceptical about the practicality of getting the market off the ground in six months, because of the number of different interests – the Bank of Italy, the Treasury, Consob, the Association of Italian Banks and the primary dealers – to be complied with.

But so far the Bank of Italy appears to be on schedule, with the necessary ministerial decree already in draft form, and purportedly few technical difficulties to contend with,

Trading volume in BTP/CTO bonds



Source: San Paolo

given that the trading system is already up and running, and will only need to be adjusted to cope with [redacted]

[redacted] the creation of a domestic futures market is not a prerequisite for the [redacted] development, since [redacted] products already provide [redacted] liquid [redacted] for hedging exposure. The [redacted] market also facilitates activity in the Euro-lira bond market, because it can be used to hedge swap positions, when the proceeds of Eurobonds are swapped into other currencies.

Arbitrage opportunities for borrowers wishing to raise cheap funds have coincided with strong demand for lira paper, boosting [redacted] in [redacted] Eurolira bond market so far [redacted] L11,280bn, compared with L6,925bn last year, according to IFR Bondbase.

The strong performance of the Italian bond market faded somewhat last month. The currency came under pressure, when the D-mark rose against the dollar, putting a strain on a number of European exchange rates and prompting speculation that there could be a realignment of currencies in the exchange rate mechanism.

The prospect of a general election early next year also raises questions for the government bond market. There is increasing pressure on the government to reduce the high level of public debt, but the issue remains politically [redacted] and there are calls for changes to the political structure [redacted] make it easier for future governments to tackle the issue, for example by reducing public expenditure and making the tax system more efficient.

If a new government committed itself to reducing the level of outstanding debt, the resulting decline in the supply of paper could provide a further boost for the market next year.

هكذا من الأصل

SCREEN-BASED TRADING

Stocks clear first hurdle

ITALY IS one of the [illegible] countries in Europe to introduce screen-based trading on to its stock exchanges. For comparison, the facility has been available on the smaller Portuguese bourse since last September.

[illegible] a long series of delays caused by technical problems and additional demands from the Consob, the stock market watchdog, screen-based trading in a limited number of second-line stocks started last month. They include Fiat preferred shares, and the ordinary shares of Ferruzzi Finanziaria, Banca Commerciale Italiana, CIR and Ras.

Dealers were quietly pleased with the successful start, which confounded the sceptics who had expected the system to fall at the first hurdle. The number of stocks traded via the screens should rise to between 30 and 40 – about 85 per cent of the stock market capitalisation – by [illegible] middle [illegible].

Proposals for continuous trading [illegible] drawn up in 1985 after the [illegible] exchange authorities decided that a new system was needed to take over from the antiquated, open outcry method still in use. Continuous trading was seen as the most obvious way to increase s[illegible] market transparency and to allow orders to be executed throughout the day instead of being limited to one "fixing" during the bourse's two-hour trading session.

At that time, the authorities decided that the system would link Italy's 10 stock exchanges electronically, rather than let them die out. The reasoning behind [illegible] the network of smaller exchanges in Rome, Genoa, Naples, Turin, Bologna, Florence, Palermo, Trieste and Venice was necessary for the development of Italy's many small enterprises which might want to raise cash via the stock market in the future.

Mr Lucio Rondelli, president of the Generale Telematico di Borsa, the company responsible for setting up and managing the new system, says it is inevitable that most of the daily activity will be conducted in Milan, which already accounts for more than 90 per cent of the country's trading volume.

The start-up of [illegible] trading, based on the system used on the Toronto stock exchange and [illegible] total cost of some L30bn footed by the industry ministry, has not been [illegible] by [illegible] who are destined to use it. Many of Italy's 600 procuratori or floor traders fear that their livelihood will be taken away from them and have boycotted the training courses. But the stockbrokers, especially those who have foreign clients, are generally in favour of the change.

Use of the terminals will free until the end of the year but from next year there will be an annual subscription of L15m (£6,900) per terminal, rising to L24m in 1993. From next [illegible] able to apply for a [illegible] their offices, thus dispensing with [illegible] need to [illegible] down to the trading floor.

The transaction costs – L3,000 for each order – have come in for criticism from the banks, especially if one large order can only be filled by several, smaller contracts at different prices. But the banks [illegible] have to get used to this, [illegible]use the stock market reform has outlawed the old practice of bunching small orders into one big order to save on commission costs.

Antonia Sharpe

SHARE TRANSACTIONS

Monte Titoli's hidden vaults

[illegible]EEMS a contradiction in [illegible]s that Italy, which has one [illegible]urope's [illegible] antiquated [illegible] exchanges, should [illegible] [illegible] modern [illegible] [illegible]ntral depository [illegible] securi[illegible].

Based in Milan, the seat of the largest of Italy's 10 stock exchanges, Monte Titoli was up and running in 1982 for Italian investors and for foreigners two years later. Yet it became widely used only after 1986, in the wake of a collapse in the physical delivery of shares in Italy.

Fund [illegible] and [illegible] brokers, especially [illegible] foreign[illegible], remember only [illegible] well when [illegible] system broke [illegible] during [illegible] market's record-breaking [illegible] part [illegible] and the first [illegible] months of 1986 which triggered an explosion [illegible] trading volume. [illegible] London stockbroker [illegible] she recalls barging [illegible] office [illegible] Milan stockbroker [illegible] demand where her client's shares [illegible]. A Milan broker remembers when [illegible] pile of share [illegible] came to light, [illegible] one [illegible] whom they belonged to.

Mr Dino Abbrescia, general manager of Monte Titoli, says that the confusion could have been avoided had the domestic [illegible] and investors [illegible] rectly. But the potential users [illegible] the [illegible] had doubts [illegible] the legal nature of depositing [illegible] with Monte Titoli and they were also scared that the taxman would find out who the real owners of the [illegible]cates were.

[illegible] in [illegible] overcame all these interpretative doubts and also permitted the "fungibility" of securities – that is, they are not tied to any one depositor – which is the [illegible] for [illegible] centralised custody and administration of [illegible].

This development [illegible] virtually eliminated the physical movement of securities certificates, which is not only risky but also costly and time-consuming. Use of the system is voluntary, though it has been so successful that Mr Abbrescia estimates that almost all the shares on the Milan bourse which are free-float (more than 50 per cent of the market capitalisation is held in firm hands) are deposited at Monte Titoli.

Monte Titoli does not know to whom the shares and bonds lodged with it belong, as they are deposited in the name of the bank, broker or Sim through which they have been bought

Monte Titoli does not know who the shares and corporate bonds lodged with it belong to, because they are deposited in the name of the bank, stockbroker, and from January, the Sim through which they have been purchased. The transfer of ownership is conducted by book entries in the appropriate deposit accounts while the certificates themselves are kept safe in Monte Titoli's vaults.

Monte Titoli also deals with the administrative side of dividend payments and capital increases on behalf of the depositors, [illegible] Mr [illegible] – for [illegible], attend[illegible] annual [illegible] – belong [illegible] of the shares.

The existence of Monte Titoli is crucial to the success of the stock market reforms which come into force in January. From 1992 all intermediaries who have a current account with the *Stanza di Compensazione*, the clearing house of the Bank of Italy, must also have an account with Monte Titoli. This new rule will facilitate the reduction in the settlement period, from six weeks to three days, due at the start of 1993. "The clearing house will tell Monte Titoli which account to debit and which account to credit," Mr Abbrescia says. This new "matching" [illegible] will reduce misunderstandings among traders and the number of unmatched bargains.

In addition, Mr Abbrescia adds that "moral suasion" from the authorities will encourage the more reluctant intermediaries to use Monte Titoli. This will help eradicate a fundamental problem of the old-style bourse, whose image has been tarnished by several instances of brokers being caught illegally using their clients' shares or funds as collateral for their trading positions.

Monte Titoli will provide an administrative service for the foreign shares listed in Milan. Bayer and Volkswagen of Germany made their debut last August and more are set to follow.

Monte Titoli is a private company, 42 per cent owned by the Bank of Italy, 55 per cent by the banks and the rest by stockbrokers, [illegible] it is [illegible]trolled by [illegible] Bank of Italy and Consob, the [illegible] market watchdog. It is [illegible] non-profit-making organisation and it is encouraged to limit its [illegible]ing. The tariffs are ap[illegible] by the Bank of Italy an[illegible]sob and are linked to the service requested by each depositor. Ironically, the increase in volume over the past few years has actually brought costs down.

Monte Titoli SpA, Via Man[illegible] 6, Milan [illegible] Tel no: (02) 34 [illegible]

Antonia Sharpe

Antonia Sharpe on a sector that still has large potential

Mutual funds recover

THE MUTUAL fund industry is a relative newcomer to the world of personal finance in Italy, but in its short lifetime it has established itself as an important component of the financial markets, the stock market in particular.

Before 1983, the industry was virtually non-existent in Italy, and the few mutual funds owned by Italian companies had to be quoted in [illegible]bourg. But a new law in that year totally changed the dimension of the industry. It spawned a proliferation of new mutual fund companies which compete with the big state and private insurance companies for the savings of Italy's army of small investors.

Italy's mutual fund industry could not have had a more favourable climate for its debut. [illegible] glow of falling inflation and interest rates, strong economic growth and rising corporate profits, Italian mutual funds saw their total net assets blossom from L1,156bn in December 1984 [illegible] L65,077bn at the end of 1986.

Treasury bills had lost some of their attraction during the mid-1980s, since yields had fallen from 18 to 11 per cent. [illegible] by the record-breaking rally on the Milan bourse, but in the euphoric [illegible], [illegible] failed to realise that they were subscribing to mutual [illegible] inflated prices.

In the meantime, the market, and the investors, had lost sight of the fundamentals.

The mutual fund experience ended in tears for many first-time buyers and in the wake of the global stock market crash in 1987, many sold out and returned to the safety of bank deposits and government bonds. After net sales of just L33bn in 1987, the industry suffered heavy net redemptions of L12,956bn the following year and a further L6,656bn in 1989.

"[illegible] individuals went away scared because they did not have the necessary experience," says Mr Aldo Messa, the managing director of Dival, the distribution arm of the insurance company Riunione Adriatica di Sicurtà (Ras), a major player in the mutual fund industry. He adds that there has been a noticeable maturity among mutual fund investors since then. "For example, during the Kuwait crisis and the failed coup in the Soviet Union, they were all on the edge of their seats but there was little disinvestment," he says.

Indeed, the mutual fund industry has made a good recovery from the haemorrhage in 1988 and 1989. At the [illegible] 1990 it had returned to a [illegible] sales position [illegible]9bn [illegible] by [illegible] this year net sales had risen strongly to L4,722bn. Net assets have had a slower recovery. After peaking in 1986, they fell to a low of L47,382bn at the end of 1990, but by October this year they stood at L55,656bn.

The scenario is not so [illegible] for equity funds, which have suffered redemptions as a result of the trading scandals on the Milan stock market over the past year. Several stockbroker bankruptcies have also harmed confidence. Whereas income funds have enjoyed net sales of L8,087bn in the first 10 months of this year, equity funds have been subjected to net redemptions of L1,489bn.

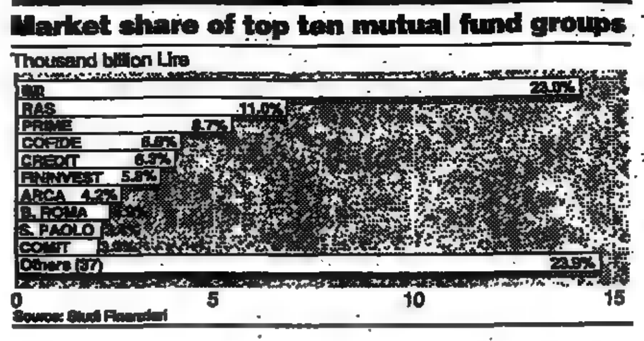
But it is not only the tarnished image of Italy's stock market nor its poor performance this year that is to blame for the underweight position of equities in mutual funds. The stock market is small and illiquid; less than half of the shares are free-float, because of large state and family holdings in industry.

At the end of October, domestic equities accounted only for 15.5 per cent of the total portfolio of all the Italian mutual funds, as opposed to treasury bills with 54.1 per cent. Foreign shares accounted for 10 per cent, as Italian fund managers looked to foreign stock markets to improve their fund's performance.

The potential for the mutual fund industry is very large, since mutual funds account for only about 3 per cent of Italian household savings. In fact, the number of mutual funds continued to grow despite the industry's problems in the late 1980s, rising from just 10 in 1984 to 72 in 1987 and to 217 by September this year.

According to the OECD, Italy has the highest savings ratio of the Group of Seven industrialised nations and the highest in the world after Portugal and Greece. The average Italian saves 15 per cent of disposable income, a decline from 26.9 per cent in 1974.

Market share of top ten mutual fund groups



Source: Studi Finanziari

The mutual fund industry is also likely to be the main beneficiary of the proposed reform of Italy's generous state-run pension system which envisages some form of voluntary pension planning. There are no Anglo-Saxon-style pension funds in Italy, instead companies pay large contributions to the state with which it pays the pensioners.

Mr Bertini says that the pension reform would help raise the quality of the Italian stock market (as well as reduce the public debt burden) because pension fund managers have a long-term investment approach and are not vulnerable to the mass redemptions which have afflicted the mutual funds. The creation of institutional investors would also facilitate the Italian government's privatisation plans, he says.

The Italian state holding group IMI has the largest share of the mutual fund market, an unexpected dividend from its rescue of a financial services network in the 1970s. IMI successfully turned the [illegible] round and it is now called Fideuram.

It is followed by Ras, which is majority-owned by Allianz of Germany, Prime, the fund management company controlled by the Fiat group, and Cofide, the holding company for Mr Carlo De Benedetti's business interests.

Ras markets its 13 mutual funds through its Dival financial services network of 900 consultants, set up 21 years ago. Its star fund is Ct-Rendita, a fixed income fund which pays out twice a year. It set up in June 1989 and now has L1,698bn of net assets, 90 per cent of which are invested in domestic government bonds. It also has a money market fund, Rendiras, which has no entry or exit costs and is aimed at customers who want to park their money temporarily before deciding on a new investment.

Ras was the first to offer Italian investors a chance to invest abroad when it launched its Adriatic Global fund in July 1988. In March this year Ras launched three new funds investing in Europe, America and south-east Asia.

The mutual fund company, Sprind Gestione, is a slightly different animal from Ras. It was set up in 1984 by a group of stockbrokers, including Mr Angelo Abbondio who is one of the best-known individuals in the mutual fund industry. In 1989 the founders sold 50 per cent of the company to Finanza e Futuro, the financial services and products distributor of the De Benedetti group, which is 100 per cent owned by Cofide.

Sprind's most popular fund is its Fondo Professionale, an equity fund which was set up in November 1984. With net assets of L1,714bn, this fund has outperformed all the other mutual funds over four years, rising by 60 per cent.

Mr Carlo Maria Mascheroni, Italian equity portfolio manager and a director of Sprind Gestione, attributes this outperformance to seeking out undervalued situations. He gives the example of Sip, the state-controlled company that operates Italy's domestic telephone services, which surprised the market in late September with a 54 per cent rise in interim operating profits. Since then, Sip has outperformed the Comit index by more than 25 per cent.

Antonia Sharpe on the reform of the securities industry

Floating the Sims

CHANGES in the law, especially those that [redacted] to upset the [redacted] existence of an influential group of individuals, always take a long time in Italy. But when [redacted] new [redacted] enter the [redacted] authorities invariably enforce them with frightening zeal.

Little wonder, therefore, that Milan's stockbrokers and floor traders are not looking forward to the new year, when the equivalent of London's Big Bang will happen. Sadly for them, the long-awaited reform of Italy's securities industry does not conjure up pleasant [redacted] foreign [redacted] offering [redacted] sums of money to [redacted] over their businesses, or of "golden handcuffs" to stop experienced individuals from being poached by rival firms.

[redacted] has been nothing like that. After the Italian Senate approved the [redacted] industry [redacted] bill in April 1989, which gave birth to the *Società di Intermediazione Mobiliare* (Sims), a new hybrid *encompassing stockbroking and* fund management, Milan's *agenti di cambio*, or stockbrokers, decided to sit and wait for the cash-rich suitors to come knocking on their door.

But few appeared, first because they did not want to repeat the mistakes made in London and Paris several years earlier when brokerages fetched fancy prices and secondly, because of strong global stock market indications that the Great Bull Run of the 1980s was *coming to an end.* A *third*, equally valid reason is that from 1993, banks will be free to set up stockbroking Sims on their own, without needing an established broker.

By *the start of this year* when the new law formally came into operation, there were only a small number of planned Sims between stockbrokers and outsiders. By this summer, things were getting so desperate that one stockbroker even advertised, anonymously, in Italy's leading business newspaper to try to find a domestic or foreign banking partner.

The urgency to find a financial backer can be explained by the need to fulfil the capital and reporting requirements placed on the Sims, through which equity trading on behalf of third parties must be conducted from January next year. Under the old rules, stockbrokers were not required [redacted] produce audited reports and accounts. As a result, they [redacted] probably undercapitalised, which made the widely-used practice of taking positions all the more risky.

By October – the deadline for applications to Consob, the stock market regulator, for permission to set up a Sim – there were around 300 requests, of which only 59 were for the full range of activities, including stockbroking, while the majority were limited to fund management, investment advice and sales and distribution of financial products.

Mr Giuseppe Zadra, [redacted] director who has been in charge of *the stock market reform, says that* only 87 of Italy's 220 stockbrokers have applied to transform into a Sim. (Of the total, 112 operate in Milan while the rest are sprinkled across Italy's nine other regional bourses.) This surprisingly low number is due to a change in the draft rules, which grants existing stockbrokers the right to stay in business until they retire at the age of 70.

But Mr Zadra is confident that the old-style *agenti di cambio* will die out sooner rather than later, since they will not be able to compete with the financial superiority of the Sims. *Moreover*, the recent spate of bankruptcies among their colleagues has severely damaged the profession's reputation with *their* clients and the public.

The shrinkage in trading volume on the Milan bourse and the drop in commissions before the stock market reform are not the only reasons why stockbrokers have gone bankrupt. Observers say some of these stockbrokers had been technically insolvent for several years but were found out only *when* Consob looked at their accounts while processing their applications to become Sims. More dead bodies are expected to float to the *surface* in the next few months.

Weeding out the financially unsound stockbrokers is a necessary exercise if Milan is to bury its cowboy image once and for all. Other stock market reforms are also expected to encourage back disillusioned investors, especially the foreigners who have been left out of lucrative mergers and takeovers because of the lack of minority shareholder protection rights.

Stockbrokers will [redacted] allowed to have terminals *installed in their offices*, thus eliminating the need to go to the trading floor

From next January, all trading in shares on behalf of third parties must take place on the bourse. That requirement is especially welcome, since it will make the market far more liquid and transparent. Less than half of the daily turnover is now conducted on the trading floor, it is estimated, because under the old rules banks are allowed to cross orders in-house.

Another important requirement that comes into force in January 1993 is that all stock market transactions must be settled within three days, rather than six weeks as at present. This change is designed to reduce the risk element in the stock market, caused by individual brokers who take out large "short" or "long" positions at the start of the account and who sometimes are unable to fulfil their obligations by the settlement date. This predicament has often forced brokers into *liquidation*.

Screen-based trading, due to start later this month in a limited number of second-line stocks, should also *improve the market's transparency*. Milan's evolution from the outdated and restrictive open-outcry method to continuous trading, a facility which is now available to investors in Portugal, has been held back by technical problems and by additional demands from the Consob. Around 40 leading shares or 85 per cent of the stock market capitalisation should be continuously traded by the middle of next year.

Although the two trading systems *are expected to run in parallel for a* while, it is widely expected that screen-based trading will be the sole survivor since stockbrokers will be allowed to have the terminals installed in their offices, thus eliminating the need to go to the trading floor. The building which houses the stock exchange has been recently renovated and some say it is destined to become a shopping mall.

In the last few months, fear of extinction has prompted a series of strikes by Italy's 800 *procuratori* or floor traders. In the past, the number of floor traders was very restricted and applicants had to sit stiff examinations. But the rules were relaxed in 1985-86 to cope with the explosion in volume during the record-breaking rise in Italian equities.

Some of the floor traders are expected to be taken on by the Sims which intend to make markets in equities *but most are likely to lose* their jobs. The other losers in the shake-up are back-office staff employed by stockbrokers and floor traders, since their work can easily be distributed among the employees of the banks which have decided to set up a Sim.

As in the London equity market since Big Bang, a concentration of business among the larger players is likely to occur in Milan, but at an even more dramatic pace. Of the 60 stockbroker Sims, only 15 to 20 (predominantly those backed by banks or the big industrial groups) are expected to survive, and perhaps a *few of the smaller ones with expertise* in niche markets.

The stringent conditions placed on the Sims will facilitate Consob's regulation of the Italian stock market. Mr Zadra says the Sims are in effect "surveillance tools" for *the* authorities. "I am a supporter of the Sims because they are really an instrument of control for the Consob," he says.

It appears that the Consob is taking to heart past criticism that it is ineffectual. Brokers remember only too well how slowly *the Consob* responded during the stock market crash in 1987 and instances when it caused confusion among traders by suspending shares *during* their official fixing.

Though based in Rome, the Consob plans to beef up its Milan opera*tion to ensure a quicker* reaction to developments on the stock market. In recent months it has made public the fact that it has seized the *accounts of* several quoted companies. In the last few weeks, it has also approved the parts of the reform which outlaw insider trading, tighten the disclosure of company news and regulate block trading.

The "OPA" law *(Offerta Pubblica di Azioni)* to protect minority shareholders' rights during mergers and takeovers, is still finding its way through Italy's parliament but ther[e] are signs that it could be approv[ed] by the middle of December, th[us] eliminating the final major obsta[cle] to investing in Italian equities.

Consob will also grant cert[ain] *powers regarding the daily run*[ning] of the bourse to a *Consiglio di B*[...] which will be elected by the S[ims] while their fund management a[...] ities and financial requirements [...] be regulated by the Bank of It[aly].

Haig Simonian profiles Attilio Ventura, stockbroker in the driving seat

All is not well at the Milan bourse

MR [redacted] Ventura, [redacted] chairman [redacted] committee which runs the Milan bourse, does not even try to pretend all is well.

After two broker insolvencies in October and the still-unresolved issue of the L100bn of "missing" [redacted] from Banq[redacted] *Dumenil* [redacted] *(Suisse), which* [redacted] bankruptcies in August, Milan "is [redacted] market which certainly has problems", [redacted] admits.

However, he draws a distinction [redacted] circumstances, such as Italy's [redacted] economic downturn and sharply declining company [redacted], which have indirectly depressed the market, and "internal" [redacted].

[redacted] among [redacted] decline in turnover, which [redacted] bitten [redacted] brokers' profitability just as [redacted] *being* [redacted] through competitive pressures on commissions. Add to that the general slide in [redacted] values, which [redacted] the Milan index tread [redacted] other [redacted] have [redacted] this [redacted], and [redacted] current difficulties come into focus. "And it's all been taking place in a period [redacted] transition for [redacted] market", with [redacted] arrival [redacted] the [redacted] and [redacted] trading, he [redacted].

Mr Ventura staunchly [redacted] brokers, and notably the [redacted] chairs, from some of the harsher barbs they have faced. One of the most contentious is [redacted] the financial problems [redacted] various broking firms, including the [redacted] that went bankrupt [redacted]ber, were common [redacted] within [redacted] small circle of top brokers.

"Absolutely not. All of us are damaged [redacted] broker [redacted] bankrupt, so [redacted] in our own self-interest to close them down [redacted] rather than later," [redacted] "I myself suffered a loss from some [redacted]

"As soon as we have doubts, we try to inform the control agencies – that means Consob. But everything takes its time. Such rumours must be checked, [redacted] firmed. You can't proceed on every rumour."

Despite [redacted] efforts, [redacted] Milan [redacted] still [redacted] with talk of financial difficulties among participants, including at least one leading broker. Mr [redacted] understandably cautious when it comes to commenting on whether any other colleagues may go [redacted] "In [redacted] period of change, everyone has [redacted] own choice," he says. "And we are so close to the start [of the reforms] that I bel[redacted] the major problems have already [redacted] overcome. But believing doesn't mean being certain."

Even brokers who have doubts about the new system are obliged to use it

Some observers suggest that the recent rush of insolvencies follows a sharp increase in checks by Consob, the companies and stock market watchdog. *As private firms, the brokers* have not had to produce certified accounts, contributing to the view that there may still *be skeletons in the cupboard.* And arcane, though perfectly legal, practices like carry-over positions and repurchase arrangements have confused the public and indirectly damaged the market's image.

"Don't ask me if Consob is checking more toughly than before, you should ask them. I don't it is doing more inspections than before," says Mr Ventura. He stresses that the latest scandals, which have severely damaged the Milan bourse's already tarnished international reputation, must be put in context. "What about Tokyo, Salomon or BCCI?" he asks.

Rather, Milan has been blighted by a particularly unfortunate combination of circumstances at an *unusually* trying time. "I would wait until the first six months of next year, when the Sims are functioning, screen-based trading is under way and the new insider trading law is operating," he says. However, the greater "self-control" which the brokers are planning to bring in for themselves still sounds somewhat woolly.

Mr Ventura puts particular stress on screen-based trading, and associated changes in its wake. Despite postponements and some teething troubles, he is convinced of its importance. "I'm absolutely sure of its significance for the future of the market in terms of transparency and efficiency."

Hence his polite, but firm, rejection of criticisms of the hurried introduction of the new system by certain brokers. True, the current technology, which *provides for automatic* order fulfilment, does not allow a participant to know who is his counterpart in a deal. That has raised hackles among some brokers, given the current uncertainty about the financial health of *some of their* counterparts.

Dissatisfaction has become more vocal following the decision to launch the system with five leading blue chips, rather than the middle-ranking stocks that had [redacted] expected. The companies chosen [redacted] too important to be ignored, meaning that even brokers who have doubts about the new system are obliged to use it.

Attilio Ventura: scandals must be put in context

Mr Ventura thinks the decision to start with blue chips was inevitable. "To launch [redacted] telematic system with small shares would have been just a show." The five stocks chosen represent over 6 per cent of total bourse turnover, and the next phase of screen-based trading will be "even more important," he says.

It is just a matter of time until the problem of counterparty risk is resolved thr[ough] *the creation of a cle*[aring] house and guarantee ag[ency] which will stand behin[d] deals on the system[, he] believes. But why not set [it up] immediately?

The clearing and guarante[e] house is part of the Sims law, which comes into force only from next month meaning an earlier start is impossible, he explains.

The new clearing/guarantee body should be running "in three or four months". And once Milan moves to cash settlement, rather than the cur*rent lag of up to six weeks*, the problem of counter-party risk will be effectively eliminated.

Mr Ventura sheds few tears at the extinction of the Order of Stockbrokers, of which he is one of the most prominent members. "It's not that important for the future. Rather than calling oneself a stockbroker, the title will now be managing director or chairman of a Sim." Becoming a broker "was just a career choice. All you needed was a [redacted] and to pass an exam. It wasn't [redacted] if you needed [redacted] have three arms," he says.

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INSIDE

Riva wins battle for German mill

Italy's Riva steel [illegible] a fiercely contested battle with a German consortium to buy two [illegible] German steel mills from the Treuhand [illegible]. The successful bid marks the largest takeover by a foreign bidder of an [illegible] German industrial company. Page 18

Cut-price fees cause concern

The [illegible] to restore profitability to [illegible] underwriting in the international [illegible] market [illegible] another turn last week as the European Investment [illegible] achieved [illegible] syndication of a $500m, 10-year deal at a fraction of normal Euromarket fees. The episode worried syndicate officials at the big underwriting firms who [illegible] other large borrowers will [illegible] EIB and [illegible] cut-price new-issue services. Page 19

Demand if the price is right

At [illegible] end [illegible] marked [illegible] shortage of [illegible] in [illegible] syndicated [illegible] market, there [illegible] to [illegible] the availability [illegible] financing, in spite of the capital [illegible] facing banks. "If a [illegible] is correctly priced, there is actually strong demand to participate," [illegible] one banker. Page 19

McDonnell trims back

THE helicopter manufacturing [illegible] of McDonnell Douglas, [illegible] group, [illegible] its workforce by up to 1,000 people, [illegible] per cent, [illegible] of [illegible] in Pentagon spending [illegible] a new government [illegible] earlier this year. Page [illegible]

Ultramar queries Lasmo claim

Ultramar, [illegible] diversified oil and gas group [illegible] faces a hostile [illegible] from rival oil group Lasmo, [illegible] *questioned the predator's ability to* sell off the [illegible] at fair prices, a key part of the plan to reduce gearing [illegible] its offer succeeds. Page 18

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FT writers track the continuing repercussions in the wake of the Maxwell scandal

Emerging role of Mr Trachtenberg

By Robert Peston, Bronwen Maddox and Richard Gourlay

THE curtains of Mr Larry Trachtenberg's [illegible] Hampstead redbrick [illegible] were closed yesterday afternoon, long before sunset. Neighbours said they thought [illegible] had [illegible] away, though there were stirrings of [illegible] *behind* [illegible] *curtains*. But, if he has sought refuge elsewhere – away from the bevy of tabloid reporters [illegible] his front door – it [illegible] little surprise.

Life has become [illegible] for the former London School of Economics academic since the death of his paymaster, Mr Robert Maxwell, on November 5. [illegible] Coopers [illegible] Lybrand Deloitte, [illegible] accountants [illegible] by the banks to investigate the Maxwell family's private [illegible] he had [illegible] shares from [illegible] Maxwell investment [illegible] Mr [illegible] personal [illegible]

The American investment strategist has emerged [illegible] ing figure in the astonishing story of how Mr Maxwell withdrew [illegible] £400m from the six pension [illegible] public and private companies.

Mr [illegible] was [illegible] director of a tight [illegible] of companies, controlled by [illegible] Maxwell, [illegible] names [illegible] prefixed with "London [illegible]" and which [illegible] hundred millions of pounds in [illegible]

London [illegible] Bishopsgate International Investment Management [illegible] fund management company set up in 1988 by Mr Robert Maxwell, [illegible] himself chairman. It managed [illegible] for third parties: 10-15 [illegible] cent, [illegible] about [illegible] of [illegible] pooled [illegible] pension funds, together with [illegible] funds [illegible] First Tokyo [illegible] Trust, [illegible] Japanese investment trust it [illegible] over in March. It also [illegible] a large [illegible]

Lord Donoughue [illegible] vice-chairman, and [illegible] Trachtenberg [illegible] Mr Mark Tapley [illegible] co-managing directors – Mr Trachtenberg focusing on [illegible] and administration, and Mr Tapley on fund [illegible]

> Life has become uncomfortable for Larry Trachtenberg since the death of his paymaster, Robert Maxwell

Each had experience in the [illegible] of "top-down" computer [illegible] strategy – by scanning [illegible] markets according [illegible] complex [illegible] they had devised a way [illegible] investing money globally without [illegible] industrial analysts.

Although Mr Tapley and Lord Donoughue intially enjoyed [illegible] friendly relationship with Mr Trachtenberg, [illegible] during 1990, partly because of an [illegible] lack of [illegible] about the administration of the office.

LBIIM [illegible] controlled by London [illegible] Bishopsgate Holdings, which traded vigorously in [illegible] for [illegible] own [illegible]

However, some [illegible] shares [illegible] within the [illegible] network [illegible] companies – shares [illegible] several hundred millions of pounds – were pledged [illegible] pension funds [illegible] public companies, [illegible] Group Newspapers and Maxwell Communication Corporation. This [illegible] provide security to [illegible] funds, [illegible] had lent hundreds of millions of pounds to the Maxwell private companies.

In May, Mr Maxwell [illegible] the general [illegible] be liquidated. There was nothing [illegible] with this – [illegible] long as the proceeds went [illegible] the proper beneficiaries, mainly the pension funds.

However, [illegible] end of June, [illegible] another, [illegible] curious, [illegible] He [illegible] Mr Trachtenberg to transfer [illegible] the shares [illegible] his, Mr Maxwell's, personal safe. Or at least, that is what Mr Trachtenberg [illegible] Coopers executives when they interviewed him.

It [illegible] Mr Maxwell then sold the [illegible] did [illegible] remit [illegible] proceeds [illegible] pension [illegible] – which [illegible] face potential [illegible] of [illegible] than [illegible]

Mr Maxwell [illegible] able [illegible] sell the [illegible] and [illegible] what he [illegible] with [illegible] proceeds because he was [illegible] director of Bishopsgate Investment Management, [illegible] and manager for the pension [illegible] and [illegible] *company for the* [illegible] In other words, its name [illegible] the share certificates, [illegible] though it [illegible] acting [illegible] trust for pension funds.

John Talbot tells Andrew Jack about his role as administrator of the key private companies

Cautious unpicking of a tangled web

Mr John Talbot, the partner [illegible] Arthur [illegible] appointed administrator [illegible] key Maxwell private companies last week, appeared good humoured and calm but [illegible] yesterday as he contemplated his task over [illegible] coming months.

In his first interview since he was appointed, which he gave to the FT, Mr Talbot sketched his actions over the past [illegible] and his future strategy.

"We are reasonably clear about the ownership structures," he said. However, "there may be a few more" than the figure of 400 companies in the group which has been mentioned, he added.

Under the rules of administration, he has up to three months to put together a formal proposal for court approval. "It may well happen earlier," he said.

He thinks that some assets could be realised over the next 10 days. "I suspect a number of [illegible] will go into liquidation, but [illegible] impossible to give a [illegible] yet. [illegible] are [illegible] looking at taking a further tranche [illegible] companies [illegible] administration."

[illegible] protection given [illegible] the [illegible] Daily [illegible] Chapter 11 prevents its [illegible] However, there had been "expres[illegible] of interest" in buying the European [illegible]

[illegible] did not rule [illegible] Mirror Group, but [illegible] unlikely in the short term [illegible] the [illegible] value was unclear. "People like to [illegible] degree [illegible] certainty [illegible] they are buying," he said.

"It [illegible] impossible [illegible] when a [illegible] likely, [illegible] someone [illegible] prepared to take [illegible] risk, it [illegible] conceivable there could be [illegible] move quite quickly."

[illegible] has extended his control since [illegible] appointed administrator [illegible] Headington Investments and Robert Maxwell Group. [illegible] Saturday he [illegible] interim manager to another 31 companies, and expects these will pass into administration by mid-week.

However, he [illegible] reluctant [illegible] place other companies into administration. [illegible] jeopardise licences or [illegible] trading rights, and reduce [illegible] company's realisable value.

[illegible] was [illegible] stand-by from the beginning of last week to act as administrator before being officially appointed on Thursday. "Most of our efforts on the first day were to safeguard the business," Mr Talbot said.

He said he wanted to protect the [illegible] thousand employees affected by the initial administration orders – a figure which does not include staff in MGN or MCC.

"I [illegible] been raising working capital, visiting locations, [illegible] protecting [illegible] companies [illegible] ensure that trading [illegible] continue," he said. "I have also been working [illegible] needs."

"We are still very [illegible] about getting to grips with the full details of the operations," he said. Up to 20 Andersen partners have been drawn into the administration, supported by at least another 80 staff. They are working with local Andersen offices worldwide where there are Maxwell interests, including Hungary, Germany, Israel, the US and Australasia.

He has [illegible] up two groups: one to [illegible] investigations [illegible] to run the companies day-to-day. He said work [illegible] money [illegible] to the companies in [illegible] take many months.

[illegible] initially [illegible] holding companies, but [illegible] number of trading companies [illegible] involved such as [illegible] ish International Helicopters, which operates scheduled services from [illegible] Scilly [illegible]

Mr [illegible] spent much [illegible] middle [illegible] with Mr Kevin Maxwell, while one of his partners has spent time with Mr Ian Maxwell. "Kevin [illegible] a [illegible] of information about the group," he said.


Photo: Tony Andrews
John Talbot: getting to grips with ownership structures

British MPs to investigate collapse

By Alison Smith in London

TWO powerful all-party committees [illegible] UK MPs will this [illegible] decide how to investigate the [illegible] by the collapse of [illegible] Maxwell [illegible] empire.

Their [illegible] will [illegible] the UK government [illegible] ing [illegible] from MPs [illegible] both [illegible] of Commons about the lack of [illegible] regulators highlighted by the collapse.

The [illegible] security [illegible] is already inquiring into pensions, and meets [illegible] look [illegible] work in the light [illegible] what [illegible] happened [illegible] Mirror group pension fund.

[illegible] Wednesday, [illegible] trade and industry [illegible] will [illegible] how to handle [illegible] implications [illegible] Maxwell [illegible] the [illegible] security committee, but [illegible] mount a separate inquiry.

[illegible] committee [illegible] from [illegible] Walker, chairman of [illegible] Board, [illegible] will [illegible] questions about [illegible] self-regulatory organisations.

Mr Kenneth Warren, [illegible] all-party [illegible] and [illegible] try [illegible] yesterday [illegible] England's role. [illegible] banks [illegible] Bank of England, I believe, are responsible," he said.

The social security [illegible] hopes [illegible] soon [illegible] Mirror group pensions fund, [illegible] likely [illegible] include [illegible] The inquiry will examine how [illegible] pensioners [illegible] trol their own funds and the rules on [illegible] Committee members [illegible] not ruled out [illegible] early short report on lessons [illegible] the Maxwell collapse.

Mr Peter Lilley, [illegible] and industry secretary, has faced a call from Mr Rupert Allason, [illegible] Conservative MP, [illegible] tell MPs how [illegible] his department knew [illegible] Robert [illegible] irregular business [illegible] Mr Allason said he had been in correspondence [illegible] the department [illegible] trade and industry about the [illegible] business empire since [illegible] last [illegible]

The opposition Labour Party stepped [illegible] pressure on [illegible] government. Ms Majorie Mowlam, opposition city spokesman, called for the DTI to extend the remit of [illegible] committee, chaired by Sir [illegible] Cadbury, reviewing corporate governance; and to [illegible] disclosure and transparency, and the relationships [illegible] regulatory bodies.

Contortions over EC federalism

[illegible] in [illegible] word? [illegible] lot, it seems, if [illegible] word is "federal" and it [illegible] UK.

The contortions [illegible] Mr John Major, [illegible] prime minister, [illegible] this [illegible] [illegible]richt summit have been [illegible]gely geared towards removing the dreaded "f-word" from the proposed EC treaty changes on economic, monetary [illegible] political union [illegible] it would mean [illegible] identity [illegible] a European superstate.

But a brief recent visit to Germany, that most federal of EC states, gives a very different impression. Federalism there is thriving [illegible] it rep[illegible] a fragmentation [illegible] than a centralisation of authority. It is [illegible] trend that [illegible] have both negative and positive effects on the economy.

One potentially damaging [illegible] decision of the federal states, or Länder, to reject a government bill [illegible] reorganise the [illegible] of [illegible] Bundesbank.

Ten days [illegible] Bundesrat, the upper house of the German parliament which represents [illegible] rejected a plan [illegible] reduce the number of [illegible] central banks to nine from 11, in favour of Länder proposals to have a [illegible] for each [illegible] the country's 16 states.

If the Länder have their way, the Bundesbank could be [illegible]dled with [illegible] decision-making central council [illegible] up to [illegible] people. That would [illegible] 16 [illegible] central bank [illegible] – [illegible] so-called backwoodsmen who [illegible] fortnight for the central bank council meetings and who occasionally have proven to [illegible] erratic in their [illegible] – and up to 10 [illegible] central [illegible] Frankfurt-based [illegible]

The news landed in the Bundesbank's Frankfurt headquarters like a bombshell. But [illegible] officials [illegible] hope that at [illegible] one of the federal [illegible] will rethink its position, so th[illegible] government bill will eventually [illegible] law through the power of its majority in the Bundestag [illegible] house of parliament.

[illegible] possibility would be a parliamentary stalemate in which both [illegible] government and state proposals were [illegible] This would leave the Bundesbank structure as it is, for the time being at least.

Both options would be more palatable than a greatly expanded decision-making body in the bank. But in the meantime, Europe's most powerful central bank [illegible] a period [illegible] enhanced uncertainty when [illegible] banks will [illegible] jockeying to assert their influence in the proposed European system of central banks.

Economics Notebook

By Peter Norman

Germany's [illegible] exchange system provides further examples of local ambition standing in the way of what appears to be good economic sense.

For years Germany's eight stock exchanges have been discussing how better to integrate their operations to be more competitive in the present era of global capital movements.

One possible route has been through technology such [illegible] the Ibis electronic trading system developed by Germany's biggest bourse in Frankfurt. This system claims a market share of up to 25 per cent in Germany's most-traded shares and has contributed to a fall in dealing costs for investors.

However, the authorities in Frankfurt *have been unable to* secure its extension to the other seven stock markets as the [illegible] basis [illegible] electronic trading. Indeed, Bremen, Germany's smallest stock market, [illegible] proposed another [illegible]tronic system, Quotron, owned by Citicorp.

On the other hand, Germany's [illegible] structure is seen as a way of preserving the economic strength [illegible] regions in an uncertain world. The Frankfurt city authorities, for example, are confident that Frankfurt will remain Germany's premier financial centre in spite of the decision to move the [illegible] capital [illegible] Berlin.

Mrs [illegible] Eick, [illegible] executive [illegible] Frankfurt's [illegible] and economic development corporation, [illegible] it [illegible] typically British – and wrong – to expect Germany's financial services sector to shift to the new capital.

While Frankfurt benefits from its [illegible] position and good communications, Germany's federal structure and tradition [illegible] also seen as important supports for its future prosperity, just as they [illegible] for the continued [illegible] centres as [illegible] as Düsseldorf, Hamburg, Munich and Stuttgart.

Inevitably, [illegible] is an [illegible]ment [illegible] special pleading in [illegible] But post-war Germany's specifically decentralised concept of federalism may have contributed to a spread of *prosperity. For the record*, disposable income per head in Scotland is still only 84 per cent of that in the south east of England after nearly 300 years in a monetary union and centralised state.

Dawdling Debate

It was nearly the case of the dog that didn't bark. But last week, Germany's popular press finally caught up with the idea [illegible] summit will almost certainly lead [illegible] the [illegible] of the D-Mark.

The absence [illegible] Emu [illegible] ous German economists has [illegible] almost [illegible] surprising as [illegible] in the [illegible]

An exception [illegible] Hermann Remsperger, [illegible] BHF Bank, [illegible] Frankfurt-based merchant bank. A recent [illegible] regular [illegible] questioned [illegible] European Community truly [illegible] an optimal currency [illegible]

[illegible] pointed [illegible] the [illegible] labour market mobility and wage and price flexibility meant that an early move to Emu would pose considerable risks. In particular, a premature union would involve large-scale fiscal transfers between regions.

What was surprising was not so much that Mr Remsperger should publish these views, but that they should cause a stir at this late stage. However, he says this has been the case among readers of his newsletter, even though, as customers of a bank that has specialised in serving businesses and high net worth individuals, they might be expected to be better informed on economic developments.

Germany's belated awakening to the implications of Emu is all the more peculiar, when one recalls that proposals to link the D-Mark to other European currencies in the EMS caused controversy at the end of the 1970s.

One [illegible] only speculate on the reasons for the lack [illegible] in Emu. The nation has understandably been fully [illegible] with reunification and its problems.

Mr Remsperger [illegible] things are changing. [illegible] MPs, he says, will face difficult times explaining why the D-Mark should disappear when they return to their constituencies after Maastricht.

Vickers in talks on sale of Rolls-Royce

By Michiyo Nakamoto in London

ROLLS-ROYCE Motors, one [illegible] the [illegible] symbols of quality manufacturing in the UK still in British ownership, could [illegible] sold to a foreign group depending on [illegible] outcome of talks between Vickers, its parent, and interested parties.

The engineering group reported a £4.3m [illegible] loss in interim pre-tax profits this year largely [illegible] a slump in sales of [illegible] Rolls-Royce [illegible] Bentley luxury [illegible] It [illegible] it was looking [illegible] the [illegible] shareholders, including an outright sale.

"We're looking at all [illegible] of things, nothing is ruled out," [illegible] Mr [illegible] Collis, Vick[illegible] director [illegible] public [illegible]

BMW, [illegible] manufacturer, [illegible] among [illegible] groups interested in buying Rolls-Royce and talking [illegible]

Mr Jacques Calvet, chairman of Peugeot, told French televi[illegible] the French [illegible] maker was not [illegible] in buying Rolls-Royce.

[illegible] whether it was involved in talks with UK [illegible] It said discussions with possible buy[illegible] "at the very early [illegible]".

Vickers said it had always made clear it would sell Rolls-Royce [illegible] the right price. This price could only be determined by weighing offers against the expected long-term value [illegible] the company [illegible] Vickers. It sees Rolls-Royce [illegible] profitable in the long term.

City [illegible] London [illegible] Rolls-Royce's value vary from £250m to £600m.

The [illegible] has, however, seen sales [illegible] sharply in its main markets [illegible] and UK.

Disagreement over the sale of downstream assets at fair prices

Ultramar questions Lasmo's claim

By Michiyo Nakamoto

ULTRAMAR, the diversified oil and gas group which faces a hostile bid from rival oil group Lasmo, questioned the predator's ability to sell off the downstream assets at fair prices, which is a key part of the plan to reduce gearing if its offer succeeds.

In a circular to shareholders over the weekend Ultramar said the bidder's gearing would be significantly higher than it claimed if its final offer was to be fully accepted.

Lasmo has said that it received up to ten inquiries [illegible] Ultramar's North American refineries from interested parties, indicating prices "not 100 miles from what [illegible] thought fair and reasonable."

Ultramar claimed, however, that this was unlikely given the persistent difficult market for downstream operations.

In the last two years five refineries that were up for sale were withdrawn from the market after they were unable [illegible] favourable prices.

Three large North American refineries currently on the market have not found buyers yet, while a further four [illegible] have been taken off the market.

Overcapacity in the [illegible] market, extremely thin margins and, specifically in California, [illegible] new environmental regulations [illegible] companies cannot afford to stay in the market, Ultramar said.

It also claimed that Lasmo's gearing [illegible] significantly higher at 76 [illegible] cent, rather than the 65 per cent it has indicated, partly because of an increase in borrowings in the past few months.

Lasmo has not yet made a profits or dividend forecast, or a valuation of its assets. Acceptances of its revised offer, that includes a 40p per share cash sweetener with the initial one-for-one all share bid, were still at less than 1 per cent. Its shares have fallen to 253p, valuing Ultramar at 293p compared with a closing price of 272p on Friday.

Banks revise agreement with Ferranti

FERRANTI, the troubled electronics group, has signed [illegible] revised long term credit [illegible] ment with its bankers to provide banking facilities until September 1993.

Ferranti opened talks with its bankers in August after it defaulted on several of the technicalities of last year's banking deal, which helped to save it from collapse following an alleged £215m fraud.

The revised agreement was announced to shareholders at the extraordinary general meeting, which was called to approve the £38m sale of the missile business to the General Electric Company in settlement of its claim that it last [illegible] paid [illegible] much for Ferranti's defence system's subsidiary.

The revised banking agreement is dependent upon the sale of the missiles business being completed by next April.

Fund managers lifting bonds and favouring UK equities

By Scheherazade Daneshkhu

UK FUND managers intend to increase their holdings of bonds but are also targetting UK equities as enthusiasm for Japanese equities slips, according to the latest survey by Gallup [illegible] Smith New Court, [illegible] securities house.

The survey of 98 institutions with £519bn under management which was carried out last week, also revealed fears that UK interest rates will rise [illegible] the next three months [illegible]ause of sterling's weakness in [illegible] ERM.

The December [illegible] confirmed the trend towards increased holdings in bonds. A [illegible] 20 [illegible] cent of the [illegible] are planning [illegible] raise their holdings compared with 10 [illegible] interviewees in the November survey.

There has been a continued swing in favour of UK gilts. The balance planning [illegible] moved from minus 14 per cent in October to plus 7 per cent in November and plus 13 per cent in December.

A similar upward shift was found for overseas bonds, from plus 13 per cent to plus 20 per cent over the same period.

Fund managers remain confident about longer-term prospects for equities but are less bullish about the short-term.

They are optimistic about UK equity markets. The balance expecting to increase their holdings has moved from [illegible] per [illegible] to 29 per cent, the highest level [illegible] March.

European equities also fared well, with the balance expecting to increase [illegible] holdings [illegible] from 19 [illegible] cent to 22 per cent.

By contrast, the trend towards increased Japanese holdings – while high – has slipped from 46 per cent to 35 per cent and fund managers remain very bearish about the US market. Those intending to decrease holdings of US equities has gone up from 16 per cent to 22 per cent.

The fund managers expect an increase of 4.1 per cent in the retail price index in the year to end-1992, while anticipating growth in average earnings of 5.6 per cent over the next 12 months.

Tubular Edgington £7m in loss

By Peggy Hollinger

TUBULAR Edgington, the hospitality tent and crowd barrier group, plunged into a £7m pre-tax loss for the year to July 31.

The company, which [illegible] pleted a refinancing [illegible] brought in new management last spring, [illegible] announced it was in [illegible] for further financing to carry out a restructuring.

Mr [illegible] Gordon, [illegible] new chairman, [illegible] "provided the additional [illegible] ... were forthcoming, ... the [illegible] for recovery and a return to profitability [illegible] good".

The [illegible] compared with a profit of £549,000 last time.

Turnover fell [illegible] sharply, from [illegible].

Mr Gordon [illegible] from decreased turnover and [illegible] higher proportion of lower margin [illegible]. Trading profits declined by two-thirds [illegible] £2.2m.

[illegible] cuts, and [illegible] hiring stock [illegible] the [illegible] in exceptional charges.

[illegible] extraordinary charge [illegible] reflected further [illegible]ganisation costs and the development [illegible] of a plastic seat project.

[illegible] were 3.14p, compared with earnings of 0.41p. There [illegible] no dividend.

Mr Gordon said [illegible] group planned [illegible] change its name to Black & Edgington, the same as its core business.

Uncertainty at B&I ends as bid from Irish Continental accepted

By Tim Coone, in Dublin

THE STATE-run Irish shipping line, [illegible] to [illegible] Irish Continental Group [illegible] I£8.5m, or £7.9m.

This [illegible] of uncertainty [illegible] the [illegible] the loss-making ferry oper[illegible].

The decision was announced by the Transport Minister Mr Seamus Brennan, after a man[illegible] buy-out offer had [illegible] restructured when [illegible] Danish backers pulled out.

The management buy-out proposal had trade union support, but [illegible] I£3m less [illegible] Continental's offer.

The government [illegible] agreed in principle [illegible] line [illegible] ICG in February, but [illegible] protracted negotiations then led to the rival MBO offer.

B&I [illegible] and [illegible] Ireland and [illegible] UK, [illegible] ships on [illegible] Dublin, Liverpool and Antwerp. One of the containers [illegible] the entrance to Dublin port [illegible] month, in a [illegible] with the other, [illegible] chartered by B&I.

ICG operates [illegible] and France. [illegible] purchase of [illegible] expected [illegible] create economies of scale, and [illegible] for a [illegible] around 250 of B&I's [illegible] workforce.

[illegible] the terms [illegible] sale, [illegible] government is [illegible] write-off I£36m in [illegible] by [illegible] and ICG [illegible] to [illegible] next [illegible].

[illegible] will be used to overhaul [illegible] replace B&I's existing fleet and [illegible] the rationalisation programme.

An ICG spokesman said the purchase will be funded out of [illegible] the additional investment will [illegible] likely come [illegible] operating profits and borrowings.

[illegible] plans to change [illegible] the routes currently operated by [illegible] B&I.

B&I [illegible] in a [illegible] ment take-over in 1965, [illegible] an equity injection in the early 1970s, and has depended on financial [illegible] support [illegible] the government [illegible]. In [illegible] the government [illegible] spent I£106m on the [illegible].

Earlier [illegible] tancy report [illegible] by [illegible] government [illegible] would require over I£40m [illegible] Exchequer support [illegible] next four years and a further [illegible] in capital investment. [illegible] prompted the government to [illegible] the [illegible] to sell.

GrandMet purchase

Grand Metropolitan [illegible] expanding [illegible] European [illegible] manufacturing activities through the purchase [illegible] Bistrial, which [illegible] production sites in France, Belgium and Italy.

Vendor [illegible] Midial, [illegible] French food manufacturer and [illegible].

The consideration [illegible] material [illegible] GrandMet shareholders' funds.

Current [illegible] turnover for Bistrial is estimated [illegible] £50m.

New England advises rejection

NEW [illegible] Properties, [illegible] by [illegible] advisers NM Rothschild, [illegible] shareholders to reject [illegible] 17p [illegible] from [illegible] Property [illegible]ment Trust.

"It represents an arrogant [illegible] buy [illegible] company on [illegible] cheap", [illegible] Mr Roy Treacher, chairman, [illegible] "I [illegible] shareholders will turn [illegible] down".

In its [illegible] company said a professional [illegible] at December 2 put the property portfolio at £28.6m and the [illegible] asset value per share [illegible] 23.9p, which [illegible] some 41 per cent above the offer from TR Property.

The valuation [illegible] the [illegible] of [illegible] profits of £1.38m for [illegible] 1991.

The [illegible] pointed [illegible] expansion in [illegible] per share since 1986, the growth potential inherent in its strategy, and TR Property's "poor record" in [illegible] of [illegible] asset and [illegible] price performance.

Pacer warns of year-end loss

Shares in [illegible] Systems tumbled 15p [illegible] on [illegible] as the USM-quoted electronics and [illegible] company warned it would report [illegible] for 1991, [illegible] processing project for [illegible] Navy, [illegible] Peggy Hollinger.

The group, which pulled itself out of the red in [illegible] said "unexpected technical difficulties" had been encountered during the final stages. It is developing an underwater simulator [illegible] testing [illegible]marine equipment.

The product [illegible] expected to [illegible] delivered in early [illegible] and Mr [illegible] Rennie, chairman, said Pacer should return [illegible] profitability next year.

Mr Rennie had [illegible] in August [illegible] he expected profits in the second half to be "a little worse" than the first. At [illegible] time, delays on the project had already affected prof[illegible].

He said on Friday that the group's [illegible] system services business remained profitable and [illegible] group would be cash positive [illegible] the year-end.

Pacer reported a profit of $645,000 (£364,406) for [illegible] six months [illegible].

Leslie Wise and Helene talks off

[illegible] on [illegible] between Leslie Wise [illegible], the [illegible] wear and knitted fabrics group, and Helene, the women's and children's wear company, [illegible] been [illegible], the boards [illegible]nced.

The Leslie Wise board saw commercial benefits in the [illegible] merger and will now [illegible] other opportunities to develop its [illegible].

Unilever sale

Unilever has agreed [illegible] Sequoia-Turner, its US medical products [illegible] to Abbott Laboratories.

New London in the black with $2.27m

[illegible] LONDON, [illegible] oil and [illegible] exploration company which operates in [illegible] US, reported pre-tax profits [illegible] $2.27m, [illegible] £1.25m, for [illegible] months [illegible] end-September.

The result [illegible] generated from [illegible] and compared with [illegible] $54,000 from $20.9m.

Cash flow from operations was $4.6m, more than one-and-a-half times higher than last time.

Mr Paul Kesterton, chairman, said the increase in revenues reflected the inclusion of International Drilling Fluids, acquired in July.

For that reason, and because of the dissimilarity in oil and gas prices in the periods, comparisons with last year were invidious.

Week that gave everyone something

[illegible] something [illegible] everyone in last [illegible] international mergers [illegible] acquisitions. [illegible] examples of [illegible] core disposals, strategic expansion, restructuring [illegible] the prospect [illegible] for minorities, writes [illegible] Bollen.

ICI [illegible] restructuring with [illegible] UK-based lime business to Minorco. [illegible] disposal, [illegible] year, is part [illegible] defence against a possible Hanson bid.

The business no longer fitted its stated policy of developing subsidiaries with global potential.

On the other side of the coin, [illegible] acquisition [illegible] part [illegible] strategy of building a pan-European [illegible] and [illegible] minerals business. Minorco's purchase of German hardstone producer Lausitzer Grauwacke from the Treuhan[illegible] also forms part [illegible] strategy.

The week provided evidence [illegible] improvement in [illegible] outlook for minority [illegible] in continental Europe.

The decision by Italy's Agnelli family to enlarge its offer for French holding company Exor to include all its shares came just [illegible] day after a Belgian [illegible] French hotel group Accor to raise the value of its full bid for Wagons-[illegible] to give minority shareholders equal treatment.

Helping to position itself for 1992 and the single European market, private Dutch insurer [illegible] size with [illegible] controversial acquisition of the short-term credit [illegible] arm of the UK's ECGD.

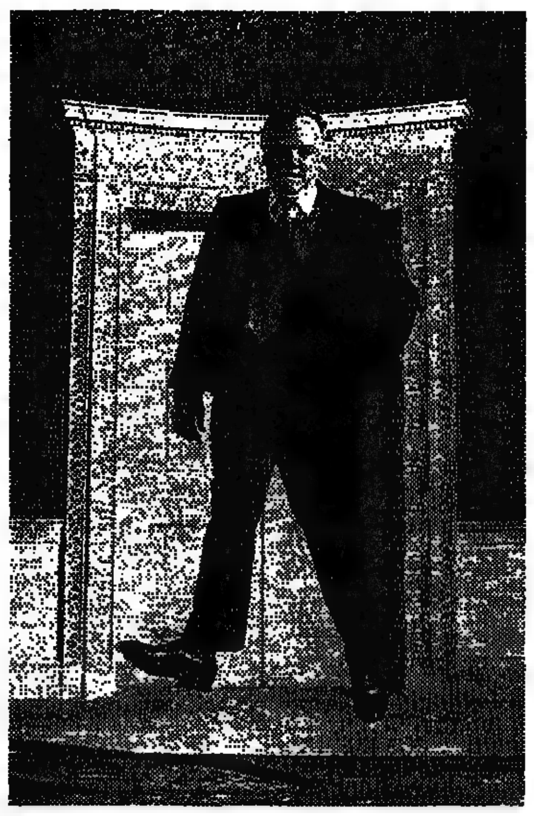
Still in Holland, US bank JP Morgan advised Royal Nedlloyd Group in the formation of [illegible] joint venture with [illegible] of Genoa, a major part of Nedlloyd Group's restructuring of its bulk activities.

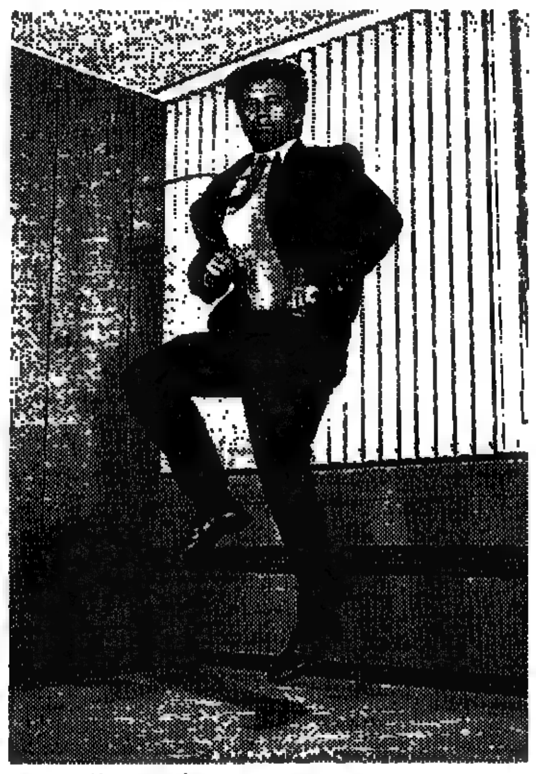
Metal powders manufacturer Wolstenholme Rink is to buy Netherlands-based Douw Beheer as part of its strategy of broadening the range of products it can supply to printing ink manufacturers.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	[illegible]	COMMENT
NCM (Holland)	[illegible] ECGD [illegible]	Export [illegible] insurance	[illegible]	[illegible] controversial [illegible]vatisation
Kabi Pharmacia (Sweden)	Pierrel [illegible]	[illegible]	[illegible]	Strategic long-term investment
Allied Colloids (UK)	Hydrolabs (US)	Textiles chemicals	£11.7m	Conditional on environmental investigation
Oriflame International (Belgium)	Aco [illegible]	Cosmetics	£11.5m	Kabi Pharmacia selling
Minorco [illegible]	[illegible] (Germany)	Construction materials	£11m	[illegible] 2nd Treuhand [illegible]
Gestetner [illegible]	[illegible] Canada [illegible]	Office machinery	£8.8m	Needs Canadian govt OK
Wolstenholme Rink (UK)	Douw Beheer (Holland)	Speciality chemicals	£7.2m	Profit related [illegible]
Royal Nedlloyd (Holland) /Bulkitalia (Italy)	JV	Bulk Shipping	[illegible]	Nedlloyd [illegible] bulk ops
Securiplex Europe (Canada/Belgium)	BETEA/Incendie (Belgium)	Fire detection products	n/a	SNC chases market share
Minorco (Luxembourg)	Unit [illegible] ICI (UK)	Construction materials	£120m	Another anti-bid disposal

Source: FT Mergers + Acquisitions International





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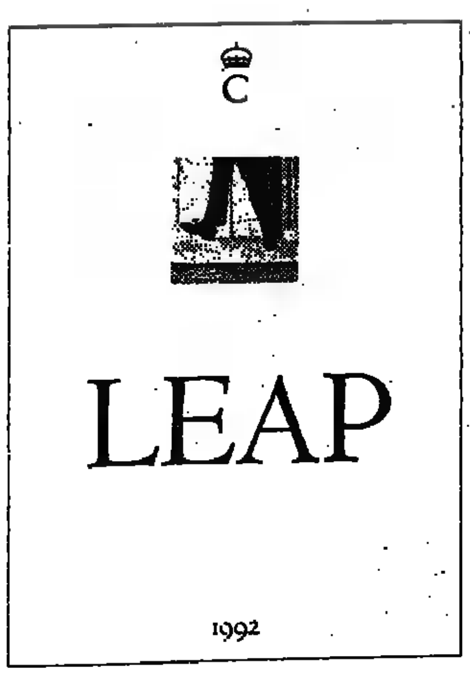

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Riva wins German steel mills battle

[illegible] Leslie Colitt in Berlin

ITALY'S Riva steel group has won [illegible] fiercely-contested battle with a German [illegible] buy two east German steel mills from the Treuhand agency.

The bidding recently assumed a political dimension when Chancellor Helmut Kohl gave strong tacit support to the Italian company by assuring equal consideration for foreigners seeking to invest in [illegible] Germany.

[illegible]iva's [illegible] Hennigsdorf and Brandenburg [illegible] marked the largest takeover by [illegible] foreign bidder [illegible] an [illegible] German industrial company.

The Treuhand agency's management board chose [illegible] ian steelmaker [illegible] the [illegible] over a rival consortium [illegible] by Thyssen Stahl, Germany's larg[illegible] producer.

Riva, which [illegible] plants in Italy, Spain, France and Bel[illegible], [illegible] to invest DM200m ($124.2m) in [illegible] plants [illegible] output [illegible] for [illegible] building industry [illegible] expected to compete head-on [illegible] other German pro[illegible].

Manfred [illegible] deal [illegible] survival [illegible] steel production

The Italian [illegible] to [illegible] 2,400 [illegible] of 10,000 [illegible] for a two-year period [illegible] which 1,900 employees are to be kept.

An official of the Treuhand [illegible] Riva had agreed [illegible] about DM100m for both mills.

In a [illegible] to the militant metalworker's union, IG [illegible], the redundant [illegible] workers are [illegible] be employed for [illegible] in publicly-financed retraining and job-creation programmes.

The concession [illegible] won [illegible] Brandenburg after [illegible] remarkable [illegible] week-[illegible] "occupation [illegible]" by the 5,000 [illegible] Hennigsdorf.

Mr Manfred Stolpe, [illegible] prime [illegible] Brandenburg, said the deal assured the survival [illegible] production [illegible] the [illegible] and guaranteed that no one would "land on the street".

There would be no problem attracting new investors to those parts of the Hennigsdorf and Brandenburg company sites which were no longer needed for steel production.

Mr Hans Krämer, board member of the Treuhand responsible for the steel industry, said the sale of the two steel plants was facilitated by their location just outside Berlin. [illegible] great deal more difficult [illegible] retain jobs [illegible] EKO, [illegible] Germany's largest steel producer, which the Treuhand [illegible] also offering [illegible].

Krupp, Thyssen, Salzgitter and Hoogovens [illegible] in EKO, along with Elva, a state-owned Italian steel producer. Both Krupp and Elva said they were prepared to erect a hot-rolling mill at Eisenhüttenstadt, the site of the EKO plant on the Oder river.

Spending cuts hit McDonnell Douglas

By Martin Dickson

THE helicopter manufacturing arm of McDonnell Douglas, the US defence group, is to cut [illegible] workforce by up to 1,000 people, or 19 per cent, because [illegible] cuts in Pentagon [illegible] and the company's failure to secure a new government contract earlier this year.

The subsidiary, based in Mesa, Arizona, also said in a statement that it would consider selling some operations.

It would [illegible] explore [illegible] options for joint ventures and consolidate various internal di[illegible].

The company [illegible] the Apache helicopter, which [illegible] a key ingredient [illegible] the US military operation in the Gulf war.

[illegible], it [illegible] declining Apache orders, and [illegible] April [illegible] out [illegible] a Boeing/Sikorsky Aircraft team for [illegible] contract to build the army's next generation light helicopter (LH).

[illegible] staff now [illegible] have been involved in developing [illegible] advanced version of the Apache, [illegible] the Longbow, but [illegible] work [illegible] nearly complete and [illegible] has yet to decide [illegible] policy towards the aircraft.

Had McDonnell [illegible] the light helicopter contract, some of these workers might [illegible] redeployed [illegible] it.

Faced with declining military orders, the subsidiary [illegible] also been developing [illegible] new commercial helicopter, the MDX.

Bankruptcy court auctions lucrative Pan Am routes

By Martin [illegible] in New York and Victoria Griffiths in [illegible] Paulo

THE last substantial assets of Pan American World Airways – its [illegible] routes [illegible] America and the Caribbean – are due to be auctioned in New York this morning in an unusual bankruptcy court hearing.

The carrier ceased operations [illegible] after Delta Air Lines, one [illegible] three largest US [illegible], withdrew from [illegible] complex rescue plan for Pan Am. The scheme had been designed to bring it out of Chapter 11 bankruptcy proceedings as a smaller operator serving Latin America, but collapsed when Delta refused to advance any more loans.

[illegible] two [illegible] leading US airlines – United and American – have expressed interest in acquiring the Pan Am [illegible].

United, which does not have routes in Latin America, tried to acquire [illegible] Am's earlier this year. American already has an extensive Latin Ameri[illegible] network.

[illegible] Transport Department [illegible] granted both airlines the right [illegible] add temporary flights [illegible] Latin [illegible] destinations [illegible] help stranded Pan Am passengers, but [illegible] has expressed [illegible] so [illegible] it is awarded the rou[illegible] permanently.

Meanwhile lawyers representing Pan Am's unsecured creditors have filed a suit against Delta seeking $2.5bn for breach of contract.

The suit accuses Delta of failing to abide by the terms of the rescue package, causing Pan Am to "cease operations, terminate their workforce and proceed to liquidate their property".

The speedy filing of the suit is designed to prevent Delta using the $115m that Pan Am owes it to bid for the airline's assets at today's auction. All bids at the auction must be in cash, and will be subject to ratification by the Transport Department.

● Pan Am's [illegible] assets [illegible] frozen by [illegible] Rio de Janeiro judge to protect passengers, employees and other creditors awaiting payment from the group.

The ruling was made as a result [illegible] law [illegible] against the [illegible] reimbursement on a [illegible] awarded [illegible] logging [illegible]quent flyer miles.

It is uncertain how much Pan Am holds in assets in Brazil. All of its aircraft, however, [illegible] already returned to the US.

Hundreds of passengers were left stranded in Brazil after Pan Am suspended flights this week but Varig, the Brazilian airline, temporarily offered them places on its waiting list.

The group announced it would make seven extra flights this month [illegible] accommodate the passengers.

Canadian bank chief to retire

MR Donald Fullerton, chairman [illegible] chief executive of [illegible] Imperial Bank of Commerce, Canada's second biggest [illegible] institution, [illegible] in [illegible] writes Bernard Simon in Toronto.

[illegible] Mr Fullerton, [illegible] 60 [illegible] has [illegible] bank [illegible], had decided [illegible] "in [illegible] normal [illegible] planning".

A [illegible] will be announced [illegible] year. The cur[illegible] favourite [illegible] Mr [illegible] Flood, [illegible] of [illegible] corporate banking [illegible].

Premier lifts profit to R227m

[illegible] Philip Gawith in Johannesburg

[illegible] Group, the South African [illegible] pharmaceuticals and entertainment [illegible], over[illegible] difficult trading conditions [illegible] report [illegible] ings in the seven months to the end of October.

Trading profit [illegible] ($81.3m) from [illegible]. Attributable earnings [illegible] and restated [illegible] six-month period were up [illegible] at R72.7m, [illegible] 97 [illegible] per share.

Turnover from continuing operations rose by 13 per cent, [illegible] following large acquisitions the overall figure more than doubled [illegible] R5.2bn [illegible] R2.5bn. During [illegible] period, Pre[illegible] took [illegible] controlling [illegible] in [illegible] and Carry [illegible] merged [illegible] Hold[illegible].

The [illegible] – under which Pre[illegible] up [illegible] stake in the enlarged Metro group – [illegible] Premier's distribution network. Mr [illegible] Wrighton, [illegible] acquisitions [illegible] formed well.

He warned, however, that [illegible] conditions were [illegible] difficult than they had [illegible] for many years, although [illegible] growth.

The [illegible] and pharmaceutical interests performed [illegible] but [illegible] Gallo, [illegible] entertainment arm, was hampered by [illegible] difficult environment.

The ordinary dividend was raised to 32 cents per share, against 28 cents, and there was an adjustment dividend [illegible] to [illegible] change in the year end.

Brazil's privatisation list grows

By Victoria Griffiths

THE National Development Bank (BNDES) [illegible] added four companies to the country's privatisation list – three steel groups, Acominas, Cosipa and CSN, and the shipping group Lloyds Brasileiro.

The bank said it would a[illegible]tion [illegible] groups [illegible] end [illegible] and [illegible] beginning of [illegible]. The sell-offs may not be ea[illegible], how[illegible] most of the [illegible] financial [illegible].

CSN, [illegible] instance, is weighed down by [illegible] with private foreign banks, and another $150m [illegible] international organisations.

Mr Robert Procopio Lima Neto, group president, said the debts would be cleared by next November, when he expects the sell-off to take place.

Cosipa [illegible] heavy [illegible] poor performance. According [illegible] Mr Antonio dal Fabro, the group's president, it may make an operating profit in [illegible] for the [illegible] in several years.

Lloyds [illegible]. After [illegible] to pay [illegible] suppliers [illegible] year, [illegible] ships [illegible] seized.

The federal government [illegible] considered closing [illegible] company down, [illegible] opted [illegible] privatisation.

Acominas is the most healthy of the four and, according to steel analysts, boasts rel[illegible]vely modern machinery for specialised steel production.

Mr Eduardo Modiano, the president of BNDES, said the government was also considering the privatisation of the federal railroad.

Provigo back in the black despite pressure

By Robert Gibbens in Montreal

PROVIGO, Canada's [illegible] biggest [illegible] distributor, suf[illegible] growth and heavy pressure on [illegible] in the first [illegible] months [illegible].

[illegible] were C$5.17bn (US$4.57bn), up 4 per cent from C$5bn a year earlier, and net profit was C$43.1m, or 60 cents [illegible] share, against [illegible], or 17 [illegible], a [illegible] earlier.

Third-quarter sales were little changed at C$1.5bn, and net profit was C$9.4m, or 11 cents, against a loss of C$43.4m, or 51 cents, [illegible] year earlier after special charges.

The company said expansion continues in the US, but, with the recession, conditions there were as tough as in Canada.

● Dylex, a Canadian and US speciality retail group, continues to show losses because of the long recession.

The company is shutting down a [illegible] clothing subsidiary and will liquidate its inventory of about C$50m.

In the three months ended November 2, Dylex reported a C$7.1m loss, against a loss of C$5m a year earlier, on revenues of C$474m, compared with C$454m.

For the first nine months, its loss deepened to C$44.7m from C$9.1m on [illegible] of C$1.29bn, against [illegible].

● Algoma [illegible], a casualty of the long North American reces[illegible], will miss a mid[illegible] deadline for restructuring its C$800m debt [illegible] has [illegible] ary [illegible] as the new deadline.

Magna rises to C$25m

MAGNA International, [illegible] independent car parts maker, lifted [illegible] quarter [illegible] profits [illegible] (US$22.10m) [illegible] cents [illegible] from [illegible] 10 [illegible] rose 24 [illegible] to C$617m, [illegible] Robert Gibbens.

[illegible] group's first-quarter, which [illegible] turnround from the financial crisis two years ago, was better than [illegible] analysts [illegible] expected.

For [illegible] July 31 1991, Magna posted profit of C$16.5m on sales of C$2bn. [illegible] has just [illegible] C$100m in [illegible] equity [illegible] nearly [illegible] debt.

The group [illegible] parts [illegible] north American [illegible] blers, particularly Chrysler, [illegible] operates three metal stamping plants in Europe.

It said north American vehicle production was strong in [illegible] months [illegible] October 31, but would be lower in the group's second quarter because of seasonal factors and the recession. However, profits would still be higher than [illegible] year earlier.

MONDAY DECEMBER 9 1991

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INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Strong demand if the price is right

AT THE end of a year marked by shortage of business in the syndicated loans market, there appears to be some slack in the availability of bank financing, despite the capital constraints that banks are facing. A number of deals completed last week were oversubscribed.

"If a deal is correctly priced, there is actually strong demand to participate," said one banker.

The volume of business generated in 1992 could be set to increase, since the number of refinancings is expected to grow. Many syndicated loans have a life of five years, and a reasonable flow of deals originated in 1987 – an active year for bank financing – is scheduled to mature. In addition, if the UK stock market remains in poor condition, any takeovers are more likely to be financed in the loans market.

The pace of activity slowed in the loans market last week, as the end of the year approaches. However, details of the Bull transaction emerged. The $700m loan to refinance the French state-[illegible] computer company Groupe Bull is now in syndication. The deal will pay a margin of 30 basis points over the London interbank offered rate (Libor), with a facility fee of 40 basis points and a 5-basis point utilisation fee if more than 50 per cent is drawn. The loan has a three-year life.

The deal, arranged by National Westminster, J. P. Morgan, BNP and Société Générale, will refinance some of the troubled group's debts.

Meanwhile, BTR's £1bn loan for the purchase of Hawker Siddeley has been oversubscribed by 50 per cent, and allocations to the [illegible] syndicate members will have [illegible] cut back.

A $300m loan for Petroleos de Portugal – Petrogal – launched on November 20 is already 50 [illegible]scribed. The oil company is 100 per cent state-owned, but 51 per cent of it is due to be sold. The three-year deal, which replaces an old facility, pays a margin of 40 basis points above Libor.

Two smaller deals, a Northern Foods' £60m loan over 18 months, arranged by Barclays Syndications, and a L75bn loan for Isveimer, completed last week, were also oversubscribed.

Elsewhere, London and Edinburgh Insurance group has launched a £50m five-year deal. Details have not yet been released. Several transactions for European companies are in the works for next year.

Elf Enterprise is believed to be close to appointing banks to arrange a project financing with a maturity of up to 10 years. The loan, denominated in sterling, is expected to be fairly large. Barclays, Citicorp and Banque Nationale de Paris are tipped to be among the initial underwriting group of four [illegible] banks, but it is understood that no official mandate has yet been awarded.

● Thames Power's financing of Barking power [illegible] signed on Thursday, but syndication of the [illegible] will not be completed until next year. The £676m credit facilities will fully finance the construction of the London [illegible]-fired power [illegible] Power [illegible] a joint venture between [illegible] construction group, and Canadian Utilities.

Construction is to start in July 1992, and commercial operations in 1995.

● Cydsa, the Mexican petrochemicals company, has issued $50m of notes under its newly-arranged $100m Euro-commercial paper programme. The notes mature on March 3 1993, and yield 8.25 per cent. The programme, which allows for issuance of notes maturing in [illegible] to [illegible] days, [illegible] arranged by Citicorp.

Tracy Corrigan

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,314.2	0.0	197.4	13,317.9
Prev	529.7	0.0	84.6	15,614.5
Other	3,766.8	36.7	1,103.8	6,155.4
Prev	2,978.7	0.0	83.0	6,097.0
Secondary Market				
US$	32,247.1	[illegible]	[illegible]028.3	12,086.3
Prev	23,869.2	[illegible]	[illegible]151.6	7,719.4
Other	54,994.2	711.0	6,606.5	99,901.2
Prev	45,169.3	799.6	3,729.3	88,689.2

	Cedel	Euroclear	Total
US$	29,272.3	40,716.9	69,989.2
Prev	19,582.6	36,101.9	55,686.5
Other	63,355.3	111,920.3	175,275.6
Prev	50,408.0	97,138.3	147,546.3

Week to December 3 1991 Source: AIBD

INTERNATIONAL BONDS

Knock-down fees for new issues set off alarm bells

THE DRIVE [illegible] profitability to new-issue underwriting in the international bond market took another turn last [illegible] as the European Investment Bank (EIB) achieved the successful syndication [illegible] $500m, 10-[illegible] deal [illegible] fraction [illegible] normal Euromarket fees.

The [illegible] caused concern among syndicate officials at [illegible] big underwriting firms. They fear that other large borrowers will follow the example of [illegible] EIB [illegible] *demand* [illegible] services.

The establishment of broadly accepted norms for new issue fees has been a significant factor in restoring profitability to the market this year.

Seven firms in particular have been vocal in support of standard fee structures: Credit Suisse First Boston, Deutsche Bank Capital Markets, J. P. Morgan Securities, Nomura International, Paribas Capital Markets, Morgan Stanley International and UBS Phillips [illegible] Drew.

The firms' effort to hold the line on [illegible] has not been without controversy.

The Office of Fair Trading, the UK competition watchdog, [illegible] to the seven in June, asking them to explain how the "standard" [illegible] was determined. It concluded *that it had no grounds* [illegible] a full restrictive trade practices inquiry.

If there [illegible] cartel on [illegible], they should have been dispelled [illegible] week. None of the seven firms participated in the underwriting, yet the [illegible] distributed to investors without [illegible] hitch.

For [illegible] 10-year Eurodollar issue, full fees of 32.5 basis points [illegible] now accepted [illegible] standard by most borrowers. This fee splits into 20 basis points for management and underwriting and 12.5 basis points as [illegible] selling concession.

ABN Amro won the EIB mandate last [illegible] by agreeing to work for full fees of just 12.5 basis points. There was no formal selling group, but syndi[illegible] willing [illegible] place [illegible] allocation of bonds received *a concession of* [illegible] *basis points.*

This implies that the underwriting banks were prepared to take on the underwriting risk for around 2.5 basis points – just one-eighth [illegible] the usual fee.

The EIB [illegible] that, [illegible] a public body, it has [illegible] duty to [illegible] lowest possible [illegible] funds available. The total [illegible] saving to the EIB last week was around $1m.

[illegible] EIB is in the rare position of having unquestioned triple-A credit quality.

It [illegible] unusual leverage [illegible] it is the largest bor[illegible] in the market, [illegible] referred [illegible] as a "commodity" borrower. Firms are [illegible] willing to participate in [illegible] most tightly-priced EIB bond issues in the interests [illegible] maintaining a relationship with the bank.

This stock of goodwill was *depleted last week. "The EIB is* short-changing the market," commented the syndicate man[illegible] top firm. The [illegible] elsewhere.

However, participants in the deal argued that:

● It [illegible] not [illegible] first EIB mandate [illegible] won on the [illegible] of discounted fees, and was no different in kind [illegible] these earlier transactions.

In the Eurodollar sector alone, Warburg, Swiss Bank Corporation and Goldman Sachs have each won [illegible] by working for discounted fees. These earlier issues [illegible] handled as "block trades" by just one or [illegible] underwriting firms and the fees were [illegible] disclosed [illegible] the [illegible]

Last week's deal [illegible] underwritten by the lead manager and a group of five banks; Banca Commerciale Italiana, *Banca Nazionale del Lavoro,* Crédit Lyonnais, Kidder Peabody and [illegible] Bank Corporation. Other firms [illegible] free to join the underwriting group – hence the [illegible] level of [illegible] was widely known in the mar[illegible]

■ Reducing [illegible] is not the only [illegible] to offer [illegible] borrower a competitive [illegible] of funds. The EIB rarely swaps the proceeds of its bond issues into another currency, but there [illegible] little doubt that other borrowers are sometimes offered "subsidised" swaps by firms anxious to win a new [illegible] mandate.

Are these false economies? Underwriting [illegible] paid [illegible] big firms [illegible] not only underwriting risk but [illegible] the potential [illegible] of providing liquidity and support to [illegible] issue if market conditions are bad. Without the support of the biggest *firms, a* [illegible] *issue could flop or* become less liquid – possibly resulting in [illegible] higher [illegible] of funds [illegible] the borrower in future.

The question is whether last week's issue will make this equation look different to bor[illegible] other than the EIB.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	[illegible]	Offer yield %
[illegible] DOLLARS							
Sanwa [illegible] Corp.(a)♦†	260	1995	[illegible]	3⅜	100	[illegible] Europe	[illegible]
Misawa [illegible] Co.(c)♦†	140	1995	4	5⅜	[illegible]	Nomura Int.	[illegible]
Tamura [illegible]	70	1995	4	[illegible]	100	Daiwa Europe	[illegible]
[illegible]	[illegible]	1995	4	[illegible]	[illegible]	[illegible] Int.	[illegible]
Cheil [illegible] & Chem.(p)§†	[illegible]	2006	[illegible]	3	100	Merrill Lynch	[illegible]
[illegible]	102	1993	1¼	zero	[illegible]	Sanwa [illegible]	[illegible]
Postipankki†	102	1993	1¼	zero	[illegible]	[illegible] Int.	[illegible]
[illegible] Trading♦	100	1995	4	[illegible]	100	[illegible] Europe	[illegible]
[illegible]	51	1993	1¼	zero	[illegible]	[illegible] Int.	[illegible]
EIB†	500	2001	[illegible]	7½	[illegible]	[illegible] Amro	[illegible]
Nafin Securities(t)♦	(t)	[illegible]	5	[illegible]	100	[illegible] Trust Int.	[illegible]
Telebras(u)†	100	[illegible]	2	10⅛	99.80	[illegible]	[illegible]
Isetan†	58	1997	5¼	6.4	101⅛	Nikko Europe	[illegible]
[illegible] Int.Fin.Aust.(v)‡†	50	2001	10	(v)	101⅞	[illegible]	-
[illegible] Trust(a1)‡†	150	1996	[illegible]	(a1)	[illegible]	[illegible]	-
[illegible]							
Cariplo (London branch)†	150	1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] FRANCS							
[illegible] Lyonnais†	1bn	1996	[illegible]	9½	[illegible]	Credit Lyonnais	[illegible]
Credisuez(g)†	500	2000	8	[illegible]	99.56	[illegible]	[illegible]
Banque Paribas(h)†	500	1999	7½	[illegible]	99.70	[illegible] Capital Mkts.	[illegible]
Compa[illegible] Bancaire(o)†	1.25bn	1993	1.083	[illegible]	[illegible]	CCF	11.425
[illegible] Mining & [illegible]	360	1995	[illegible]	6⅜	100	[illegible] Lyonnais	[illegible]
[illegible]	2bn	2001	[illegible]	zero	[illegible]	[illegible]	[illegible]
Comptoir d'Entrepreneurs†	700	1994	[illegible]	9½	[illegible]	CCF	[illegible]
[illegible] DOLLARS							
[illegible] Aust.†	75	1996	4.917	[illegible]	[illegible]	[illegible] Bank	9.471
D-MARKS							
[illegible] Corp.(b)♦†	60	1995	4	5⅛	100	[illegible]	[illegible]
[illegible] & Steel [illegible]	560	1996	[illegible]	[illegible]	101.40	[illegible]	8.272
[illegible] Nederland†	250	2001	10	8¼	102⅜	[illegible]	[illegible]
Eurofima★★†	200	1997	[illegible]	8⅝	101½	[illegible]	[illegible]
SWISS FRANCS							
[illegible]	120	1995	-	5⅜	[illegible]	[illegible]	4.813
[illegible] Rd.Con.(n)★★♦†	100	1995	-	4½	100	[illegible]	[illegible]
Kameda(a)★★♦†	30	1995	-	[illegible]	100	SBC	[illegible]
ADO Electronic [illegible]	20	[illegible]	-	[illegible]	[illegible]	[illegible]	4.245
Nippon Metal Ind.(j)★★♦†	130	[illegible]	-	4½	100	Bank Leu	[illegible]
[illegible] New Hankyu(e)★★♦†	80	1995	-	4½	100	SBC	[illegible]

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	[illegible]ook runner	Offer yield %
Nagaso [illegible] Inc.(i)★★§†	[illegible]	1996	-	4¼	100	[illegible]	[illegible]
[illegible] Light Metal(f)★★♦†	[illegible]	1995	-	4⅜	[illegible]	[illegible] Del [illegible]	[illegible]
Cleanup Corp(k)★★§†	50	1996	-	6	100	[illegible] (Switz)	[illegible]
Cleanup Corp(l)★★♦†	50	1996	-	4¼	[illegible]	New Japan [illegible]	[illegible]
Kibun [illegible] Chemifa(m)★★§†	20	1996	-	4½	[illegible]	Nomura (Switz)	[illegible]
Tada Corp(q)★★§†	50	1996	-	6¾	100	[illegible]	[illegible]
[illegible]	300	2002	-	7¼	101⅛	[illegible]	[illegible]
Nippon [illegible] Kiki(x)★★§	35	1996	-	4¾	[illegible]	[illegible]	[illegible]
[illegible] Industry(y)★★‡†	[illegible]	1998	-	(y)	101½	[illegible] Bk (Switz)	-
[illegible] Gas(z)★★♦	100	1995	-	[illegible]	[illegible]	Yamaichi [illegible]	4.750
Fujikura★★♦	100	1996	-	5¼	100	[illegible]	[illegible]
[illegible]							
[illegible] Groep(b1)†	400	2002	[illegible]	9⅛	[illegible]	[illegible]	9.000
ABN [illegible] Bk Hding.NV(r)♦†	500	2002	[illegible]	9⅛	108½	[illegible] Amro	[illegible]
Merrill Lynch†	150	1995	3	9⅜	100.15	ABN [illegible]	[illegible]
YEN							
Tokyo [illegible]	70bn	1996	[illegible]	6	99.80	Nomura [illegible]	[illegible]
Japan Airport Terminal†	15bn	1999	7¼	[illegible]	101½	[illegible] Int.	[illegible]
Kanematsu Corp†	20bn	2000	8¼	6.45	[illegible]	[illegible] Int.	6.191
[illegible] Bank(w)†	80bn	1996	4¾	[illegible]	101	[illegible] Europe	[illegible]
Toyo [illegible]	30bn	1999	7¾	6.4	101.45	Nomura Int.	6.140
[illegible] FRANCS							
Sparkassen [illegible]	600	1998	7	9½	102⅛	[illegible]	[illegible]
Cregem [illegible] NV(s)†	2.5bn	2002	10	9¼	102	Cregem Int.	[illegible]
Credisuez†	750	2001	9	9⅜	101⅝	Bque.Indosuez (Lux.)	9.103
[illegible]	2bn	1997	[illegible]	9½	101.80	KBL	[illegible]

★★Private [illegible] §Convertible. ♦With [illegible] ‡Floating rate note. [illegible] rate notes. †Final [illegible] a) [illegible] premium [illegible] at [illegible] b) Exercise premium [illegible] 2.54%. [illegible] c) [illegible] premium fixed at 2.52%. Non-callable. d) [illegible] premium [illegible] at 2.55% [illegible] 31/3/92 at 102% [illegible] semi-annually. [illegible] Exercise premium [illegible] f) [illegible] premium fixed at 2.54%. Callable [illegible] at 101¼%. g) Investors have option of re-investing coupon payments in new bonds. h) Fungible with existing FFr1bn [illegible] i) Conversion premium fixed at 2.5%. [illegible] option 30/9/94 [illegible] 110⅛% to [illegible] 7.851%. j) [illegible] premium [illegible] 2.67%. Callable [illegible] and 19/12/94 at 101½% [illegible] premium fixed [illegible] 2.51%. Non-callable. l) [illegible] premium fixed [illegible] 2.51%. Put [illegible] to yield 7.6[illegible] m) [illegible] premium [illegible] at 2.57%. [illegible] 31/3/94 at [illegible] Exercise p[illegible] 2.52%. Callable [illegible] at 102% declining ½% semi-annually. [illegible] coupon [illegible] 12% [illegible] redemption, so that yield offers a spread of 37bp [illegible] Fungible with existing FFr1.25bn [illegible] p) Put [illegible] years at 121.645% to yield 6⅞%. Conversion premium fixed at 11.85%. q) Conversion premium fixed at 2.56%. [illegible] r) Subordinated [illegible] Coupon payments made [illegible] guilders but principle redeemed in US dollars. Each bond has a put warrant attached to sell US dollars for guilders. Exchange [illegible] Fl1.9378. s) Amount increased from [illegible] Non-callable. t) Amount – up to $100m. Issue [illegible] to Mexican Stock Exchange. Non-callable. [illegible] Put option after 1 year at par. Coupon payable semi-annually. v) Callable 19/1[illegible] at par. Coupon pays 60bp over 6-month Libor for [illegible] years, then [illegible] at 9¼% thereafter. w) F[illegible] deal. Non-cal[illegible] x) Put option 31/3/94 at 109½% to yield [illegible]%. [illegible] Coupon pays 0.4% over [illegible] 19/6/94 at 101½% declining [illegible] issue [illegible] by credit card receivables. Callable at 100% [illegible] Coupon [illegible] 3-month Libor. b1) [illegible] issue [illegible] calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Yields fall as investors take heart

GILT yields fell for the second week running as the market took heart from a firmer pound and strong buying pressure from UK institutions.

With many pension funds and other financial groups deciding to switch more money [redacted] equities and [redacted] bonds, gilt prices rose [redacted] week by larger amounts than for virtually all the other main government bonds. The exception was US Treasury stock, [redacted] prices rose [redacted] back of extremely [redacted] US economic data.

The gilt rally followed low demand for the stocks during October and November, after a spurt in activity in the market in the [redacted] summer. For long-maturing gilts, prices rose by roughly 1½ points, with [redacted] decline in yield of some 0.2 per [redacted] (20 basis points).

The strong demand by investors fitted in with [redacted] widespread perception that the UK economic recovery will probably be muted, with little sus[redacted] growth likely until [redacted] next summer. Accordingly, many institutions have shunned equity markets and put liquid funds into bonds.

[redacted] week, [redacted] decline in yields for 10-year gilts was substantially above [redacted] yield reductions apparent [redacted] German, French, Japanese and Dutch bonds. The decline in yields for these instruments was 5, 4, 3 and 7 basis points respectively, according to calculations by UBS Phillips & Drew.

The better performance by gilts in relation to other bonds narrowed the [redacted] in yields between UK and German government bonds to around 150 [redacted] points. This is much the same figure as in late August, at [redacted] the start [redacted] the la[redacted] significant gilts rally.

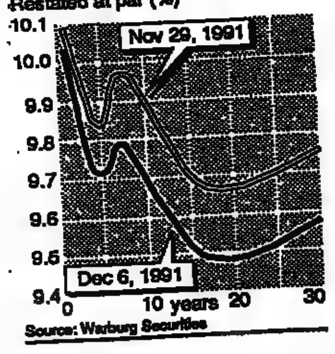
The big question now [redacted] many gilt investors is whether the instruments can repeat their perf[redacted] during September, a golden month for gilts in which the yield spread in relation [redacted] German bonds fell to only about 100 [redacted] points. [redacted], it widened again during the past [redacted] months [redacted] demand for gilts [redacted].

[redacted] of [redacted] Friday, [redacted] yield [redacted] 10-year gilt [redacted] about [redacted] per cent, against [redacted] for the comparable German stock.

The omens for the coming week look reasonably promising from the viewpoint [redacted] gilt market. A rush of new economic [redacted] likely [redacted] provide [redacted] about the lack of UK inflationary pressures, [redacted] helping [redacted] sustain gilt prices.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Today's credit business figures and tomorrow's data on wholesale prices [redacted] manufactured goods [redacted] expected to provide further details about the improbability of a strong, imminent revival in the UK economy.

Further ahead, however, many observers expect a recurrence [redacted] political jitters ahead of next year's election which could unsettle the gilt market, and lead to [redacted] reduction in buying pressures especially from [redacted] institutions. The yield [redacted] the 10-year gilt could well fall further to around 9.6 per cent over the next few weeks, but whether it will come down more than that looks much more uncertain.

As for last week, the market was encouraged by the good reception to the £500m of new gilts offered by the Bank of England on Monday. The £100m of 9¾ per cent conversion bonds maturing in 2005 was completely taken up that day, while the £400m worth of shorter-dated gilts maturing in 1996 and 2001 found customers by Thursday. It appears that – having taken up the longer-dated stock of a type which has been highly popular with insti[redacted] in recent weeks – customers switched up the yield curve to turn their attention to the shorter-maturing instruments which have been less in demand.

The smooth [redacted] the [redacted] must [redacted] caused quiet pleasure to the Bank market operators who [redacted] charged with finding buyers for up to £40bn worth [redacted] government bonds [redacted] the next two years. The mega bond sale will be required as the recession and its aftermath forces the UK to borrow to pay for public spending.

Peter Marsh

JAPANESE BONDS

Hopes of interest rate cut bolster market

THE Japanese government bond [redacted] posting [redacted] highs [redacted] year, bol[redacted] by hopes [redacted] lower inter[redacted] inflationary pressures ease.

A fall in short-term interest [redacted] prompted institutional investors [redacted] shift portfolio [redacted] into [redacted] investments.

Last week, the yield on the No [redacted] 10-year benchmark bond [redacted] year's low [redacted] per cent, breaking through an important resistance level [redacted] per cent, while [redacted] three-month certificates [redacted] deposit [redacted] sharply [redacted].

The rally comes after a [redacted]porary lull in the market dur[redacted] first [redacted] of last month when Mr Kiichi Miya[redacted] over as prime minister.

Speculation that Mr Miyazawa, seen as an advocate of [redacted] expansion, would [redacted] the slowing [redacted] by increasing expenditure unnerved [redacted]. They [redacted] concerned that [redacted] government would [redacted] extra bonds [redacted] fund next year's spending.

"There [redacted] worries over an extra supply of bonds in the market," [redacted] Mr Eric J. Miller, a trader [redacted] Barclays de Zoete Wedd. However, most market participants are now convinced [redacted] amount will be mod[redacted], and [redacted] focusing on posi[redacted] the slow[redacted].

The [redacted] spate of economic indicators [redacted] reflected the downturn [redacted]. Industrial production [redacted] ber fell by 2 per cent year-on-year, sharply below expecta[redacted] demand [redacted] pushing down inflation, [redacted] consumer prices for November in the Tokyo metropolitan area increased by 2.5 per cent.

The gross national product figures [redacted] third quarter, announced last week, also encouraged investors. While [redacted] year-on-year rise [redacted] per [redacted] stronger than [redacted]ted, quarterly-based figures highlighted [redacted] deceleration.

The economy expanded by [redacted] mere [redacted] per [redacted] – an annual [redacted] of 1.6 per cent, compared with [redacted] in the second quarter and 11 per cent in the first [redacted] months [redacted] 1991.

Together with weak [redacted] interim earnings [redacted] announced recently, [redacted] fig[redacted] have raised investors' [redacted] that the Bank [redacted] Japan will allow overnight [redacted] to fall below 6 per cent in the near future.

[redacted] other hand, while evidence [redacted] slowing economy has supported the bond market, the Tokyo stock market has failed to recover from its prolonged slump. Last Monday, [redacted] Nikkei [redacted] plunged 3 per cent, triggering a "flight to quality" to the bond market.

UBS Phillips [redacted] Drew [redacted] the [redacted] rally [redacted] demand [redacted] institutional [redacted] due to their historically low weightings in bonds and high weightings in equities. In October, investment trusts held 50.8 per cent in equities, [redacted] per cent in bonds and 31.3 per cent in cash.

Market participants now [redacted] on [redacted] of Japan's quarterly survey [redacted] business sentiment.

It will gi[redacted] investors an insight into how the central bank [redacted] the economic situation. With last week's cut in the [redacted] federal funds [redacted] giv[redacted] Bank [redacted] Japan room to manoeuvre [redacted], institutional investors are expected to shift funds [redacted] the bond market.

Emiko Terazono

US MONEY AND CREDIT

All eyes on yet further easing

THE US Federal Reserve eased monetary policy on Friday, but Wall Street is already asking how long it will be before it cuts interest rates yet again.

The central bank cut its target for the key Fed funds rate from 4.75 per cent to 4.5 per cent on the heels of a very gloomy set of employment statistics. Unemployment remained at 6.8 per cent in November – presumably because discouraged workers are no longer looking for jobs – even as non-farm payrolls declined by 241,000, far greater than the 80,000 jobs the market had been expecting.

The figures gave further weight to a run of statistics suggesting that the economy is in grave danger of [redacted] "double dip" recession. Mr Alan Greenspan, the Fed chairman, said in [redacted] speech [redacted] Friday that [redacted] recovery had shown "[redacted] faltering".

Earlier last week, the government cut its estimate [redacted] third-quarter growth in [redacted] domestic product from [redacted] per cent to 1.7 per cent, and the revised figures showed that inventory accumulation had been higher than expected and final demand weaker, both of which could point to further problems ahead.

Meanwhile, Christmas retail sales got off to an unexciting start, and car manufacturers began to cut their production plans for the first quarter of next year. There is no sign of the revival in consumer confidence which, it [redacted] agreed, is necessary to fire a sustained recovery.

Wall Street is, therefore, anticipating even greater easing moves by th[redacted] Fed, whose policy-making Open Market Committee meets on December 17. It is widely expected to consider [redacted] in the discount rate – the rate at which banks borrow funds from the central bank's discount window – from 4.5 per [redacted] 4 per cent. [redacted] the discount rate is traditionally lower, [redacted] the same, as Fed funds, this could pave the way for a further quarter-point easing in the latter rate.

The Fed's action will depend to some extent on the inflationary outlook, but statistics due this week seem unlikely to be an impediment to further easing. The November figures for producer prices (due on Thursday) and consumer prices (due Friday) are expected to show a moderation of inflationary pressures, with both expected to rise by between 0.2 per [redacted] and [redacted] per cent.

Mr Greenspan, in Friday's speech to the Securities Industry Association, said the groundwork was being laid for a more efficient growing economy. "Inflation pressures have abated, and the inflation rate is headed down," he went on. "Many households [redacted] businesses [redacted] improved their financial condition and [redacted] in better shape to support more normal patterns [redacted] borrowing and spending."

The net [redacted] all this [redacted] positive for [redacted] bond market, with the benchmark 30-year Treasury bond rallying 1¼ on the week, while its yield dipped from 7.93 to 7.80.

At the same time, the spread between the 30-year bond and 10-year notes narrowed further on Friday, to end the week around 57 basis points compared with 67 at Wednesday's close.

This trend emerged after Mr Nicholas Brady, the treasury secretary, told a Congressional hearing on Thursday that he might consider limiting the issuance of 30-year bonds. The implication seemed to be that the government might fund more of its requirements from the intermediate part of the yield curve in an effort to put downward pressure on [redacted] long end of the market, which has not benefited so fully from the sharp drop in interest rates over the past year.

The economic gloom and the prospect of further Fed easing makes the outlook for the bond market over the next few months look good, with many analysts suggesting the yield on long bonds could drop as low as 7.5 per cent.

The medium-term outlook may not be quite so rosy. President George Bush is promising an economic package in next month's [redacted] of the union address [redacted] while he is also insisting on fiscal restraint, the politicians will be anxious to demonstrate their pump-priming abilities in an election year.

The size of the budget deficit, projected at up to $375bn in the year to next October, will limit their room for manoeuvre, and thus the scope for an inflationary stimulus (while also maintaining upward pressure on government bond yields).

But all recessions eventually end, and unless the most pessimistic analysts are right, the economy could be recording substantially faster growth by the middle of next year and the interest rate cycle could have tipped the Fed in a tightening direction.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.37	4.75	4.63	11.00	2.00
Three-month Treasury bills	4.34	4.46	4.75	8.29	4.34
Six-month Treasury bills	4.37	4.55	4.86	7.70	4.37
Three-month prime CDs	4.75	4.90	5.00	7.17	4.75
30-day Commercial Paper	4.90	5.05	4.92	7.12	4.85
90-day Commercial Paper	4.70	4.85	4.96	7.02	4.70

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	102	[illegible]	6.74	6.94	7.07
20-year Treasury	116¼	[illegible]	7.50	7.70	7.72
30-year Treasury	102	[illegible]	7.80	7.93	7.90

Source: Salomon Bros (estimates)

Money supply: In the week ended November 25, M1 rose by $1.5bn to $890.3bn

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid price	Chg on week	Yield
[illegible]				

THE WEEK [illegible]

ECONOMICS

Markets seek summit commitment

THE Maastricht summit will inevitably dominate economic and political concerns in Europe this week.

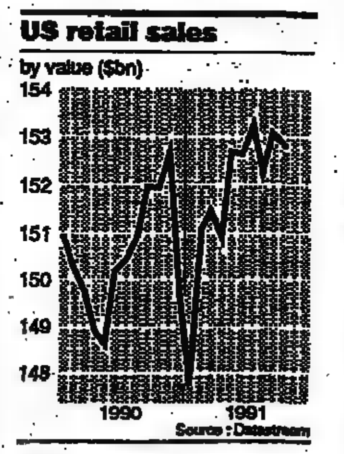
The currency markets will be anxious for the EC leaders to commit themselves to the principles of monetary union in the interests of foreign exchange stability.

A commitment would serve to underpin the grid of currencies [illegible] the European exchange rate mechanism, [illegible] if a single currency does not take effect until the next century. *The Dutch have stipulated* that economic convergence should be [illegible] in four key [illegible] inflation, long-term [illegible] rates, fiscal policy and exchange rates.

There are plenty of statistics [illegible] in the [illegible] In the UK, inflation news is available in tomorrow's producer prices indices and Friday's RPI.

Last month, output prices rose at a [illegible] rate of [illegible] cent and are expected [illegible] rise by [illegible] per cent in N[illegible] [illegible] underlying inflationary [illegible] continue to [illegible]

The [illegible] retail prices [illegible] *expected* [illegible] *benefit* from [illegible] further reduction in mortgage [illegible] but [illegible] after [illegible] [illegible] per [illegible] to a year-on-year [illegible] of 4.2 per cent.



In Japan, the Tankan survey [illegible] to provide further evidence that the economy [illegible] weakening and inflation abating, with business confidence due for another fall in November.

The highlights of the week, with projections provided by MMS, are [illegible] follows:

Today: Maastricht: [illegible] summit meeting [illegible] December 10). Switzerland: Basle, [illegible] meeting. US: third quarter manufacturers' financial report. UK: October credit business (flat), final retail sales (down 0.5 [illegible] cent). Canada: November housing starts (180,000), October motor vehicle sales (down [illegible] per cent), September wages and salaries.

Tomorrow: US: EC energy and envir[illegible] ministers meet to discuss oil tax. Japan: Bank of Japan releases quarterly Tankan report. US: October housing completions, third quarter current account. UK: producer prices input (down 0.5 [illegible] m/m, down [illegible] per cent y/y), output [illegible] m/m, 5.0 per [illegible] y/y). Japan: machinery orders. Canada: third quarter manufacturing capacity [illegible] (71.8 per cent), [illegible] housing price index.

Wednesday: US: October wholesale trade, third quarter invisible [illegible] (£600m). Japan: November trade balance ($5.3bn). Canada: October farm product [illegible]

Thursday: UK: CBI distributive [illegible] survey. [illegible] November producer prices [illegible] excluding [illegible] per cent), November retail sales (flat) excluding autos (0.1 per [illegible] November [illegible] supply, initial claims (447,500), [illegible] benefits for week ended November 23. Japan: wholesale prices index (0.1 per cent m/m, down 1.2 per cent y/y). Australia: November unemployment rate (10.45 per cent), November employment (down 10,000), October retail trade (0.5 per cent)

Friday: US: October [illegible] sumer prices index excluding food and [illegible] September business inventories, November real earnings, December 1-10 [illegible] UK: November [illegible] prices index [illegible] m/m, 4.2 per [illegible] y/y). November RPI [illegible] mortgage [illegible] payments 5.7 per cent). Canada inventories [illegible] shipments ratio (1:50:1), [illegible] unfilled [illegible] [illegible] cent).

During the week: Germany November WPI [illegible] per [illegible] November PPI [illegible] per [illegible] m/m, [illegible] per cent y/y). Germany, [illegible]er production (east), [illegible] (y/y). Spain, November [illegible] prices [illegible]

Rachel Johnson

PARLIAMENTARY DIARY

TODAY

Commons: Proceedings on the Aggravated Vehicle-Taking Bill. Motion on teachers' pay and conditions order.
Lords: Further and Higher Education Bill, [illegible] Nurses, [illegible] and [illegible] Bill, third reading.
[illegible] **Committee:** [illegible] — subject, [illegible] Christopher [illegible] Department [illegible] Health; [illegible] Cruickshank, chief [illegible] NHS [illegible] (Room 15, [illegible] pm).

TOMORROW

[illegible] Day: [illegible] financing [illegible] private [illegible] and nursing [illegible] fees, [illegible] industry. Motion [illegible] ministerial [illegible] Tribunals [illegible] Inquiries Bill, [illegible] reading. [illegible] approval on [illegible] ministerial and [illegible] Welsh Development Agency Bill, second reading. Further and Higher Education Bill, committee. Motion on industrial training levy [illegible] Board) [illegible]
Select Committee: Social Security — subject, operation of pension funds. Witnesses: The Occupational Pensions Advisory Service. (Room 21, 10.30 am).
Committees on opposed [illegible] bills: London Docklands Railway ([illegible] etc) Bill (Room 6, 10 am); British Railways (No.3) Bill (Room 5, 11 am).

WEDNESDAY

Commons: Motions [illegible] security [illegible] uprating and disability [illegible] regulations. [illegible] on [illegible]
Lords: Debate on [illegible] *government's legislative* performance. Debate on mortgage repossessions and mortgage debt. Access to [illegible] Bill, [illegible] reading. [illegible] government on progress with the new [illegible] Library.
[illegible] **Committees:** Environment — [illegible] proposals [illegible] environment [illegible] of Metropolitan Authorities; [illegible] of County Councils; Association [illegible] Councils; Mr [illegible] Ferguson, director of [illegible] Regulation Authority (Room 21, 10.30 am).
Foreign — su[illegible] developments in central Europe. [illegible] Dr Adrian Hydeprice, University [illegible]pton; Dr Dominic McGoldrick, University of Liverpool, and Mr [illegible] *Mortimer, Financial Times.* (Room 16, [illegible] am).
Parliamentary Commissioner for Administration — subject, health commissione[illegible] for 1990-91. Witnesses: [illegible] Hamlets Health Authority; Institute of Health Services Management. (Room 19, 10.45 am).
Energy — [illegible] of [illegible] Earth. (Room [illegible] 11 am).
Foreign [illegible] — subject, developments in [illegible] Europe. Witnesses: [illegible] AVP; *Mr John Mitchell, ICI;* [illegible] Syrett, European [illegible] Co; Dr Norman Wooding, East European Trade Council. (Room 18, 4pm).
Employment — subject, Industrial [illegible] — retraining [illegible] redeployment. [illegible] British Coal Enterprise; TUC. (Room 20, 4.15 pm).
Health — subject, maternity [illegible] of Population [illegible] Surveys; [illegible] for Community-based [illegible] (Room 21, 4.15 pm).
[illegible] — [illegible] prisons policy. [illegible] Kenneth Baker MP, home secretary; J G Pilling, director general of [illegible] Prison Service; [illegible] Butler, director [illegible] personnel and [illegible] 15, [illegible] pm).
Public Accounts — subject, [illegible] buildings. [illegible] Miss D Nicholls, director general, Property Holdings; Mr [illegible] Chipperfield, permanent secretary and chief executive, PSA Services. (Room 16, 4.15 pm).
Transport — subject, preparation for the Channel Tunnel opening. Witnesses: transport department [illegible] (Room 17, 4.15 pm).
[illegible] Bills: [illegible] Docklands Railway (Lewisham etc.) [illegible] 6, 10 am); [illegible] (Room 5, [illegible] am).

THURSDAY

[illegible] for the [illegible] adjournment. Proceedings on the [illegible] Fund [illegible]
[illegible] Further and Higher [illegible] Bill, [illegible] Bill, report [illegible] third reading.
[illegible] MP. [illegible] Philip Norton, University [illegible] Hull.
Committee [illegible] : London Docklands Railway (Lewisham etc.). (Room 6, 10 am); British Railways (No 3). (R[illegible] 5, [illegible] am).

FRIDAY.

Commons: [illegible] Members' Motions.

RESULTS DUE

Scottish & Newcastle's first half pre-tax profits today are expected to be around the [illegible] level as last year's £114.5m. Forecasts range marginally [illegible] side [illegible] the figure, largely depending on estimates [illegible] interest charges. The brewer is generally expected [illegible] report [illegible] gain in beer market share, helped by [illegible] strength in the take-home [illegible] and slightly [illegible] trading conditions in its northern [illegible]

It has been [illegible] tough year for contract catering and analysts are prepared f[illegible] relatively unexciting figures [illegible] Com[illegible] Group, the catering to health [illegible] which [illegible] reporting final results for the year to end September tomorrow. The environment for catering has remained difficult with volume increases off[illegible] by lower spend per contract. The private hospital business, meanwhile, has seen an increase in the number of patients covered by insurance offset by [illegible] decline in the number of self-paying patients. The departure of [illegible] chief executive, however, [illegible] not [illegible]ing as it may seem because of the strength [illegible] the team remaining. Analysts are looking for pre-tax profits of £32m (£29.50m) for the [illegible]

[illegible] Wednesday Anglo United, the UK fuel distribution group, is expected to announce interim pre-tax prof[illegible] of £3m (£1.1m). After disposals it will have made [illegible] pre-exceptional loss [illegible] £2m in the [illegible] months [illegible] September.

Dowty Group, the aerospace components manufacturer, is expected to report on Thursday a 60 [illegible] cent fall in profits from £37.1m to £15m for the six months [illegible] the end of 30 September 1991. Analysts are looking [illegible] a maintained interim dividend of 3.6p.

UK COMPANIES

■ *TODAY*
COMPANY MEETINGS:
[illegible]n Steak Houses, 21 Coventry Street, W., 10.00
[illegible] European Inv. Trust, [illegible] E.C., 11.00
[illegible]:
Finals;
Hunterprint
Venture Plant
Interims:
Marling Inds.
Reliance Security
Rolfe & Nolan Comp. [illegible]
TGI
Unit

■ TOMORROW
[illegible]
Amber Day, The Savoy Hotel, [illegible] W.C., 10.30
Barry Wehmiller Intl., 1 *Finsbury Avenue, E.C., 12.00*
London & St Lawrence Inv., 111 Cannon Street, E.C., 12.30
[illegible]D MEETINGS:
Finals;
Ashley Group
Carlton Comms.
Compass
[illegible]
Holmes [illegible]
Richards
Sage
Sturge
Titon
Vaux
Interims:
[illegible] British Eng.
[illegible]
Bell (A H)
Booth Inds.
Charter Cons.
Cray Electronics
[illegible]
Feedback
Midlands Electricity
Multitone Electronics
Scott Pickford
[illegible]
Siam Selective [illegible]
Total Systems
Triplex Lloyd
Whitecroft

■ WEDNESDAY DECEMBER 11
[illegible]:
[illegible] *Design, 2-3 Bloomsbury* Square, W.C., 11.00
Five Oaks Invs., The Savoy [illegible], Strand, W.C., 10.30
Fleming Japanese Inv. Trust, 25 Copthall Avenue, E.C., 12.00
Kalamazoo, Mill Lane, Northfield, Birmingham, 11.[illegible]
Majedie Invs., Guild House, [illegible] Fenchurch Street, E.C., [illegible]
TIP Europe, [illegible] Hall, 81 [illegible] Street, E.C., [illegible]
BOARD MEETINGS:
Finals;
Albion
Automagic
Baggeridge [illegible]
Blick
Granada
Greenalls
Turkey Trust
Interims:
Anglo United
Berkeley
Bulmer (H P)
ERF
Fuller, Smith & Turner
M & G Second Dual Tst.
Northern Electric
Plysu
Scottish Power
Security Archives
Severn Trent
[illegible]
Toshiba
[illegible]

■ THURSDAY DECEMBER [illegible]
COMPANY MEETINGS:
Albert Fisher, Royal Lancaster Hotel, W., 12.00
Glasgow Income Trust, Hutchesons' Hall, [illegible] Ingram Street, Glasgow, 7.00
New Cavendish Estates, 43-44 Albemarle Street, Mayfair, W., 12.00
[illegible] Trust, 23 [illegible] *Winchester Street, E.C., 12.00*
Raglan Property Trust, Farmers' & Fletchers' Livery Hall, 3 Cloth Street, E.C., 10.00
[illegible] Trust, Charles Oakley House, [illegible] Regent Street, 12.00
[illegible] (J.), 28 Cramond Road South, Edinburgh, 12.00
Wardle [illegible] Brantham Works, Brantham, Manningtree, [illegible]
BOARD [illegible]
Finals;
Acatos & [illegible]
Archer (A. J.)
Countryside Props.
Grainger Trust
Johnson [illegible] Firth Brown
ML Laboratories
Mining & Allied Supplies
River Plate & General
[illegible]
Sycamore Hldgs.
Watson & Philip
Interims:
[illegible]
Dowty
Fine Art Developments
Firstland Oil & Gas
Harland Simon
Joseph (Leopold)
Learmonth & [illegible]
MS Intl.
NMC
[illegible]
Southern Water
South W[illegible] Electricity
Sterling Publishing
TR Technology
Tinsley (Eliza)

■ FRIDAY DECEMBER 13
[illegible] MEETINGS:
[illegible] Empire [illegible] Gen. Trust, [illegible] Hall, [illegible] Ch[illegible], E.C., [illegible]
McKechnie, [illegible] Hotel, Natl. [illegible] Centre, Birmingham, 12.00
Prestwick, The Station Hotel, Ayr, 11.30
Wolseley, [illegible] Lane, [illegible]
Finals;
Carr's Milling Inds.
Interims:
Abtrust Ne[illegible] Inv.
Boscombe Property
Henderson Highland Tst.

Company [illegible] *general* [illegible]

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Anheuser-Busch 28cts.
[illegible] Intl. 2.15p
Elys (Wimbledon) [illegible]
European Inv. Bank 9½% Ln. 2009 4.75pc.
Office [illegible] 0.1p
[illegible]
Prowting 1.7p
Rockwell Intl. 23cts.
[illegible] Tst. [illegible]
Tarmac 3p
Treasury 10% Ln. [illegible]
Tronoh [illegible]
[illegible]
■ TOMORROW
Allied-Signal 25cts.
Chevron 82.5cts.
[illegible]
Dai-Ichi Kangyo [illegible] Y4.75
[illegible] & Bradstreet 84cts.
[illegible]on 67.5cts.
Fuji [illegible] Y4.75
[illegible] Motors 40cts.
[illegible] R.) [illegible]
Green (Ernest) 4.25p
Hammerson Prop. Inv. 3.5p
Do. A 3.5p
Honda Motor Y7
Leeds Permanent [illegible] Soc. 13⅝% Perm. Int. Brng. 6.8125pc.
[illegible] (Bil) [illegible]
Lon [illegible] Lawrence [illegible]
[illegible]
Mitsubishi [illegible]
Mitsui Taiyo [illegible]
Mitsui [illegible]
Mobol 80cts.
NEC Y5
Petrocon [illegible]
[illegible]
Sanwa Bank Y4.25
Scott Paper 20cts.
Sumitomo Tst. [illegible] Y4.25
Sun Co. 45cts.
Taisei Corp. 7.1% [illegible] 1999 3.55pc.
Do. 7.1% [illegible] 1998 3.55pc.
Tenneco 40cts.
[illegible]
Tokai [illegible]
Toshiba [illegible]
Transfer Tech. 0.125p
Travelers 40cts.
Treasury [illegible] 1991 4pc.
[illegible] Tech. 45cts.
[illegible]
Warner-Lambert 44cts.
Yasuda Tst. & Banking Y4.25
■ WEDNESDAY DECEMBER 11
Allied Irish [illegible]
Allied Leisure 3.25p
Bank of Ireland [illegible] Rate Prim. Cap. [illegible] $150.08
Chase Manhattan [illegible] Fltg.
[illegible] 2009 [illegible]
Ferguson Intl. 4.25p
Glynwed Intl. 4.15p
Hongkong [illegible] Shanghai Banking Corp. Prim. Cap. Und. Fltg. Rate Nts. Sec. Ser. $74.25
Inter-American Dev. Bank [illegible]
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. $336.77
Temple [illegible] Mortgages [illegible] 2031 £263.44
Do. Class AZ M-L Mtg. Bckd. Fltg. Rate Nts. 2031 £267.31
Treasury [illegible] 1.5pc.
[illegible] Bldg. [illegible] £255.55
■ THURSDAY DECEMBER [illegible]
[illegible] Fltg. [illegible] $333.59
[illegible] 2002 4.75pc.
Eaton [illegible] NV 12½% Uns. Ln. 2014 (Br.) [illegible]
Do. 12½% Uns. Ln. 2014 (Reg.) 6.25pc.
FR 2.34p
First Interstate O'seas [illegible] Fltg. Rate Sub. Nts. 1996 $143.77
Hemlo Gold Mines 2.625p
Hewden-Stuart 0.868p
Jo[illegible]
KG [illegible] Trade [illegible] Fin. 7% [illegible]
[illegible] 3.5pc.
Kalamazoo 1.5p
[illegible]
Photo-Me Intl. [illegible]p
Royal Bank [illegible] Fltg. Rate Deb. Nts. 2085 $146.93
Do. Canadian Fd. Ptg. Red. Prf. 5cts.
Baker's Finance & [illegible] 5½% Prf. 5.5cts.
[illegible] James's [illegible] 1.5p
[illegible] of) 8⅛% [illegible] 4.0625pc.
Usher-Walker 2p
■ FRIDAY DECEMBER [illegible]
[illegible] 1.8p
[illegible] of Ireland [illegible]
[illegible]
[illegible] Tst. [illegible] York Fltg. [illegible] Sub. [illegible]
Barry, Birch & Noble 1p
CSX 38cts.
Canadian [illegible] Ind. 50cts.
[illegible] 1996 8.5pc.
Dana 40cts.
ECC 6.8p
East Rand Gold [illegible] Uranium 20cts.
Falcon Mines 18cts.
Free State Cons. Gold 105cts.
Investors [illegible] Tst. 5¼% Prf. [illegible]
Kajima [illegible]
[illegible]
Malaysia Mining [illegible]
[illegible] Und. Fltg. Rate Prim. Cap. Nts. (Sers. 3)
[illegible]
Orange Free State Invs. 272cts.
[illegible]
[illegible] 1.75p
Sony [illegible]
Time Warner 25cts.
Trinova 17cts.
Tudor 0.5p
[illegible] Gold [illegible]
[illegible] Fltg. [illegible] Nts. [illegible]
Young [illegible] Co's [illegible] 7p
Do. [illegible] 7p
■ SATURDAY DECEMBER [illegible]
Agricultural [illegible] 4½% Deb. 81/91 2.25pc.
■ SUNDAY DECEMBER 15
AECI 5½% Prf. 5.5cts.
[illegible] 75cts.
St Lawrence & Ottawa [illegible] 4% Stg. [illegible] Bds. [illegible]
TRW 45cts.
United [illegible] Deb. 93/[illegible]

TRADE FAIRS, EXHIBITIONS & CONFERENCES

DECEMBER 12-13
ENERGY '93
A practical event b[illegible] together EC-based buyers and suppliers involved in the energy industries to assess economic and financial impact of forthcoming EC 'Utilities' Directives. Organised by Ernst [illegible] Young and NEDO, Queen Elizabeth II Conference Centre, Westminster.
Contact: Tracy Lepard on 071-931 4675 Fax:071-620 0940
LONDON

DECEMBER 17
ESTABLISHING A 100% FOREIGN OWNED COMPANY IN RUSSIA
Formalities, Legal Requirements, Taxation/Auditing, Personnel/Premises, Trading Rights. Speakers will include representatives of RSFSRMinistries and the All-Union Centre for Research & Development of Joint Ventures.
Contact: INTERFORUM Services
Tel: 071[illegible] Fax: 071 381 8914
LONDON

JANUARY 9&10
International Boundaries: Political, Legal and Strategic Implications
Convened by The Royal Institute of International Affairs and Frere Cholmeley. To be [illegible] at Chatham House, London. Enquiries RIIA Conferences.
Tel: 071 957 5700 or
Fax: 071 957 5710
LONDON

JANUARY 13
AFRICA 2000: THE ROAD TO RECOVERY
A major international conference on Africa's economic and business prospects held by the African Development Bank, Oxford International Institute and Standard Chartered [illegible]
Speakers include: Babacar Ndiaye, William Ryrie, Chief Shonekan, M K Nabli and Tim Sainsbury.
[illegible] Miss Lindsey Neil
Tel: 0225 466744 Fax: 0225 442903
LONDON

JANUARY 14
CONDUCTING BUSINESS WITH THE JAPANESE - GETTING IT RIGHT
A Practical Cross-Culture Workshop to help executives get it right when dealing with the Japanese in business. Forte Crest St. James's Hotel,
Contact: Anne McClean, Management Forum.
Tel: (0483) 570099
LONDON

JANUARY 15, 16, 17 & 20
HOW TO MANAGE A SMALL RAPIDLY GROWING COMPANY
In this intensive one day seminar (running in venues across the UK) you will learn how to avoid crisis management whilst keeping the entrepreneurial spirit alive. Speaker: Bob Donnelly.
Contact: Louise Knight, Frost & Sullivan Ltd. Quote ref 965ft.
Tel: 071 730 3438 Fax: 071 730 3343
LONDON

JANUARY 23-24 1992
NEGOTIATING WITH THE SPANIARDS
An intensive two day seminar designed for the busy manager negotiating (or planning to negotiate) long-term agreements with Spanish business partners. Speaker: Vincent Guy.
Contact Louise Knight, Frost & Sullivan Ltd.
Tel: [illegible]
Quote ref: 1098FT
LONDON

JANUARY [illegible]
THE REINTEGRATION OF THE BALTIC STATES INTO THE WORLD COMMUNITY
Convened by The Royal Institute of [illegible] Affairs i[illegible] with the Governments of Estonia, Latvia and Lithuania, & The London Chamber of Commerce and Industry. To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700
Fax: 071 957 5710
LONDON

JANUAR[illegible]
Recent Developments in the EMU Bond Market
The Tower Thistle Hotel
Establish the latest in the AMU process and a strategy [illegible] buying Europe, ECU issuing policy and pricing ECU Bonds.
Contact: Joyce Fernandez, BRI,
Tel: 071-637 4383
LONDON

JANUARY 28&29
Opening Up The Russian Oil Industry
A unique opportunity to meet the new decision makers in Russia. Convened by [illegible] newly established Centre for Foreign Investment and Privatisation (Moscow), and The Royal Institute of [illegible] Affairs. To be held at The Inter-Continental Hotel London.
Enquiries RIIA Conferences.
Tel: 071 957 5700 [illegible]
LONDON

JANUARY 29
Nailing the Jelly to the Wall
A three part LSE Seminar on business and IT strategies. 2-6 p.m at the LSE. [illegible] February 19 & March 11)
Contact: Nicola Meakin
Tel: 071-955 7227 Fax: 071-955 7676
LONDON

FEBRUARY 4
MAJOR SEMINAR ON NEW EC DIRECTIVE: Health & Safety of Computer Users. Training Centre, Lloyd's of London
How will the legislation affect you? Penalties [illegible] non-compliance: £20,000 if ignored; £120,000+ for injuries.
Contact Christine Nash, CEL.
Tel: 081-208 2923
LONDON

FEBRUARY 4
[illegible] Marketing for Accountants and Solicitors
Speakers include: KPMG Peat Marwick, Nabarro Nathanson, Cameron Markby Hewitt, Cranfield, Citigate, D.J. Freeman, Cavendish, Smythe Dorward Lambert. Topics include: Strategic Planning, [illegible] What Clients Really Think, Building a Marketing Culture, [illegible] of a Marketing Partner, Reputation Management, [illegible] Entertainment, Professional Selling. Chris Kohut, Century Communications
Tel: 071-244 8884

FEBRUARY 10-12, 1992
Effective Business Presentations for Directors and Managers
A practical seminar designed to help every manager and director who, in the course of their job, must speak in front of a group, make a presentation, sell ideas or products to others, or face a camera. Speaker: J Thomas Miller III
Contact: Louise Knight, Frost [illegible] Sullivan Ltd.
Tel: 071-730 3438 Fax: 071-730 3343.
Quote ref 770ft.
LONDON

FEBRUARY 19
EC Proposals For Civil Liability for Environmental Damage: The Implications for UK Industry
A detailed examination of the EC Commission's proposals that have caused so much alarm amongst industrialists. Chaired by Lord Clinton-Davis former EC Environment Commissioner.
Contact: Westminster Management Consultants Ltd.
Tel: (0483) 740 730 Fax: (0483) [illegible]
LONDON

FEBRUARY 19
TELEVISION OF TOMORROW
A one-day conference to discuss the future of high definition television with views from Europe, the United States and Japan.
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
[illegible]

FEBRUARY 20
Occupational & Personal Pensions Are they Working Together?
Selfridge Hotel
An essential one-day conference designed for all those who should be concerned with the interaction between occupational and personal pension schemes.
Contact: Mary Parker-Jervis, IBC.
Tel: 071-637 4383
LONDON

FEBRUARY 24&25
INVESTING IN SOUTH AFRICA
The Cumberland Hotel
Attend this Conference and learn about the high profit potential open to Foreign Banks, Consulting Firms, Technology and Capital Equipment Suppliers, Financial Investors, Importers and Exporters.
Contact: Joyce Fernandez, BRI,
Tel: 071-637 4383
LONDON

MARCH 4
Investing in a Presence in Japan
This high-level, yet practical conference, arranged in association with Priority Japan, will feature a keynote speech by The Rt Hon Peter Lilley, MP.
Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

MARCH 10 & 11
The European Water Industry
Prevention of water pollution, water policy in the UK and EEC, regulation, charging systems, finance for infrastructure in Central and Eastern Europe will be addressed.
Enquiries: Financial Times
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

MARCH 16&17
World Pharmaceuticals London
The theme of the 1992 conference will be 'Globalising the Organisation [illegible] Management of the Pharmaceutical Industry' to meet the changing marketplace.
Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

INTE[illegible]

FEBRUARY 23 [illegible] 24
Air Transport in the Asia-Pacific Region
Long-term prospects for air transport in the [illegible] the [illegible] international framework and the problems of congestion will be addressed.
Enquiries: Financial Times
[illegible] 2323 Fax: 071-925 2125
SINGAPORE

EXHIBITIONS

DECEMBER 10-12
ONLINE INFORMATION '91
Europe's largest electronics and optical information Exhibition with some 200 international Exhibitors showing a range of products and services for the supply, storage and use of information of any type.
Contact: Jean Mulligan
Tel: (0865) 730275
Fax: (0865) 736354
LONDON

JANUARY 13&14
SOFTWORLD IN ACCOUNTING AND FINANCE
Exhibition and Seminars from the Top 40 suppliers of Software for Accounting and Finance Departments from full scale accounting systems [illegible]ist finance software. Delegates will be able attend 40 minutes presentations on each product free of charge.
Contact: Interactive Exhibitions
Tel: 081-541 4865
LONDON

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Lisbon	+35 11	808284	804579
Madrid	+34 1	5770909	5776813
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Paris	+33 1	42970623	42970629
Tokyo	+81 3	32951711	32951712
Stockholm	+46 18	552312	552312
Vienna	+43 1	5053184	5053176
Warsaw	+48 22	489787	489787

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | SWITZERLAND | DENMARK | FINLAND | NORWAY | SPAIN | ITALY | SOUTH AFRICA | SWEDEN | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | MALAYSIA | SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

4:00 pm prices December 6

[illegible]

MONTREAL

4:00 pm prices December 6

[illegible]

Total Sales 13,592,900 shares

INDICES

NEW YORK

DOW JONES	Dec 6	[illegible] 5	Dec 4	Dec 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2886.40	2889.09	2911.67	2929.56	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.85	97.72	97.63	97.65	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1198.62	1203.85	1219.36	1223.28	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.14	218.77	219.70	220.64	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2924.87 (2923.75) Low 2854.65 (2874.78)

STANDARD AND POOR'S

	Dec 6	5	Dec 4	Dec 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	379.10	377.39	380.07	380.96	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	446.75	444.90	447.83	449.02	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.02	29.90	30.30	30.41	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.74	208.96	210.13	210.55	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (28/4/42)
Amex Mkt. Value	372.63	371.80	372.32	372.45	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	536.30	534.03	535.28	533.34	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
[illegible] Div. Yield	3.15	3.15	3.10	4.01
	Dec 4	**Nov 27**	**Nov 20**	**year ago (approx.)**
S & P Industrial div. yield	2.80	2.82	2.80	3.42
S & P Indl. P/E ratio	22.98	22.78	22.79	15.37

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	2,698,500	89	- 1¼
Pepsico	2,644,500	30¼	.....
Gen Elec	2,600,300	63⅞	+ 1¼
Wal-Mart	2,415,400	51¼	+ ⅞
RJR Nabisco	2,231,100	10⅝	- ⅛
BankAmer	2,117,500	31⅞	----
Am T & T	2,104,800	37¼	+ ¼
Gen Motors	1,954,200	29¾	----
Philip Morris	1,878,300	67⅞	- ⅛
Boeing	1,702,300	43	+ ⅝

TRADING ACTIVITY

† Volume Millions	Dec 6	Dec 5	Dec 4
New York	198.170	[illegible]	187.934
Amex	16.826	[illegible]	13,806
NASDAQ	171.831	[illegible]	167.288
NYSE			
Issues Traded	2,164	2,175	2,142
Rises	853	604	759
Falls	769	1,030	842
Unchanged	542	541	541
New Highs	71	50	46
New Lows	72	62	43

CANADA

TORONTO	Dec 6	Dec 5	Dec 4	Dec 3	1991 HIGH	1991 LOW
Metals & Minerals	2796.48	2781.30	2805.31	2834.08	3299.99 (18/7)	2632.06 (9/1)
Composite	3426.53	3426.63	3427.47	3453.41	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1817.78	1815.84	1811.57	1825.15	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 6	Dec 5	Dec 4	Dec 3	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1583.8	1608.2	1614.8	1607.9	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	627.9	641.7	646.0	641.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	396.43	400.38	404.29	403.54	534.81 (16/4)	385.58 (8/1)
BELGIUM						
BEL20 (1/1/91)	1066.14	1069.46	1077.60	1067.44	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	350.49	351.94	351.85	352.04	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	(c)	805.8	812.0	821.2	1186.9 (8/4)	803.8 (5/12)
FRANCE						
CAC General (31/12/82)	467.01	467.46	472.91	[illegible]	[illegible] (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1685.71	1703.23	1713.93	[illegible]	[illegible] (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	638.02	656.18	641.47	635.97	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1801.80	1795.80	1812.30	1793.40	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1558.18	1553.42	1560.96	1546.84	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	[illegible]	4157.15	4161.99	4124.38	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	[illegible]	1342.99	1356.08	1350.69	1520.65 [illegible]	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	494.65	502.89	509.01	513.28	[illegible] (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22445.64	22459.17	22669.44	22166.83	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1706.15	1714.87	1728.47	1708.59	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2498.02	2496.33	2498.50	2496.92	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	530.33	529.32	529.41	528.38	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	[illegible]	271.6	273.1	272.5	284.8 [illegible]	[illegible] (16/1)
CBS All Shr (End 1983)	[illegible]	190.8	191.8	191.4	203.1 [illegible]	[illegible] (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	[illegible]	623.72	620.94	598.72	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1102.45	1115.57	1104.29	1104.91	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	[illegible]	389.69	390.42	391.19	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	[illegible]	1219.0	1225.0	1216.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	[illegible]	4158.0	4164.0	4173.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	635.17	621.[illegible]	651.99	643.93	763.10 (6/8)	[illegible]
SPAIN						
Madrid SE (30/12/85)	(c)	244.68	245.75	244.12	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	926.40	918.00	929.10	932.60	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	718.8	714.8	720.4	714.7	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	580.1	583.7	588.3	584.6	630.0 (31/5)	487.1 (14/1)
TAIWAN **						
Weighted Price (30/6/66)	4378.13	4340.09	4378.13	4343.24	6305.22 (9/5)	[illegible] (15/1)
THAILAND						
Bangkok SET (30/4/75)	667.39	(c)	670.07	663.75	908.13 (19/6)	582.48 (16/1)
WORLD						
M.S. Capital Intl.([illegible])	500.9*	500.6	502.9	501.8	589.2 (17/[illegible])	439.1 (16/1)

** Saturday November [illegible] Weighted Price: 4378.50; Korea Comp Ex. 652.11. * Calculated at 15.00 GMT. ø Subject to official [illegible].
Base values of all indices [illegible] except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – [illegible] Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 6 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	16.1	640	-14	Chugoku Marine	3.7	1,070	[illegible]
M'bishi Kakoki	5.5	686	-1	Sanyo-Kokusaku	3.2	628	-14
Meiji Milk Prods	4.7	1,060	+10	Fuji Oil	2.7	1,200	+20
Okamoto	4.6	1,140	0	Kawasaki Steel	2.3	365	+4
Japan Steel	3.9	585	-6	Toshiba	2.0	628	-7

هكذا من الأصل

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Acumen	5	66.28	66.50	70.98	4.57	46327
Acumen Reserve	3	66.48	66.48	68.46	9.66	46328
American Income	5	122.85	122.90	130.20	3.71	41056
Equity Income	5	74.56	74.56xd	79.57	6.44	41057
European	5	50.40	50.40	53.78	1.42	41058
Far Eastern	5	103.30	103.30	110.20	0.93	41059
Smaller Cos	5	45.43	45.43xd	48.48	3.15	41060
Olympiad	5¼	44.25	44.25	47.22	0.96	41061
Olympiad Income	5¼	41.29	41.29xd	44.06	6.34	41062
UK Growth	5	70.54	71.49	76.30	1.97	41063

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	103.2	108.7	–	41924
Pension Managed Fd	100.9	106.3	–	41926
Life Deposit Fd	111.1	116.9	–	41929
Pension Deposit Fd	117.9	124.1	–	41925

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	Yield Gross	City-line
Managed	162.5	171.1	–	43141
UK Equity	167.5	176.4	–	43135
Overseas Equity	131.4	138.4	–	43136
Fixed Interest	155.2	163.4	–	43137
Property	130.3	137.2	–	43138
Index Linked	151.5	159.5	–	43139
Deposit	164.7	173.4	–	43140
With Profits (B)	134.7	141.9	–	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	339.9	357.8	–	43163
UK Equity	423.1	445.4	–	43164
Overseas Eq	323.9	342.0	–	43165
American	273.9	288.4	–	43166
Far East	347.3	365.6	–	43167
Property	194.3	204.6	–	43168
Fixed Int	273.2	287.6	–	43169
Indexed Gilt	161.4	169.9	–	43170
Deposit	188.3	198.3	–	43171
With Profit	105.4	111.0	–	44771
Pension Fund (Accum Units)				
Managed	491.6	517.5	–	43173
UK Equity	573.7	603.9	–	43175
Overseas Eq	552.2	581.3	–	43177
American	347.7	366.1	–	43179
Far East	570.3	600.4	–	43181
Property	248.0	261.1	–	43183
Fixed Int	340.6	358.6	–	43185
Indexed Gilt	176.1	185.4	–	43187

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	210.6	222.2	–	43411
UK Fixed Int Acc	191.4	201.9	–	43412
Intl Equities Acc	165.7	174.8	–	43413
UK Managed Acc	166.4	175.5	–	43414
Property Acc	224.5	236.9	–	43415
Money Acc	134.2	141.5	–	43416
Special Market Acc	141.4	149.2	–	43417
Japan Equity Acc	94.7	99.9	–	46760
North American Acc	95.5	100.8	–	43419
Pacific Acc	90.5	95.5	–	43420
Technology Acc	116.8	123.3	–	43421
Nat Resources Acc	36.3	38.2	–	43422
European Acc	95.8	101.1	–	43424
Residential Prop Acc	90.6	95.6	–	43425
Swiss Equities Acc	31.5	33.3	–	43426
Hong Kong Acc	68.2	72.0	–	43427
UK High Inc Eq Acc	68.1	71.9	–	43428
Int Fixed Interest Acc	60.7	64.1	–	46406
Int Managed Acc	54.6	57.5	–	46407
HIP Managed Acc	112.3	118.4	–	46751
HIP Managed II Acc	97.6	102.9	–	41928
HIP Managed III Acc	105.9	111.7	–	45881
Total Investment Fund				
UK Equity Initial		142.8	–	43429
UK Fixed Int Initial		129.9	–	43430
Intl Equities Initial		111.6	–	43431
UK Managed Initial		115.0	–	43432
Property Initial		153.5	–	43433
Money Initial		91.5	–	43434
Special Market Initial		109.4	–	43435
Japan Equity Initial		73.2	–	46762
North American Initial		73.9	–	43437
Pacific Initial		70.0	–	43438
Technology Initial		90.4	–	43439
Nat Resources Initial		42.6	–	43440
European Initial		85.6	–	43442
Residential Prop Init		86.2	–	43443
Swiss Equities Initial		30.1	–	43444
Hong Kong Initial		65.0	–	43445
UK High Inc Eq Init		64.8	–	43446
Int Fixed Interest Init		58.5	–	46408
Int Managed Init		52.8	–	46409
HIP Managed Init		108.8	–	46752
HIP Managed II Initial		[illegible]	–	41927

[illegible]

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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	Bid Price	Offer Price	Yield Gross	City-line
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16 16	16 97d	1 05	44759
Japan Tech	$57 24	60 12	–	44762
Japan Fund	$24 37	25 59	0.17	44763
Japan New Grth Fd	$18 16	19 07	–	44764
Malay Sing	$53 91	56 61	0.31	44765
Nth American	$21 86	22.96	0 58	47418
Octopus Fund	$21 64	22 73d	0 88	44766
Pacific Fd	$61 16	64 22d	–	44767
International Bond	$17 07	17.93d	6 89	44769
Europa Fund	$12 93	13 58d	–	47191
Britain Screen Fd	£0 86	0 91d	–	47190
Trustar Warrant	$11 04	11 60	–	47419
Hong Kong	$51 60	54.18d	3 09	44761
Lloyd Portfolio (Stg)	£3 98	4 30	–	47319
Lloyd Portfolio (Dlr)	$10 08	10 64	–	47318
Currency Fd—Sterling		£19 75	–	44755
Currency Fd—US Dollar		$15 48	–	44754
Curr Fd—Deutschemark		DM40 98	–	44756
Curr Fd—Managed $	$45 84	48 13	–	44758
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Sers Series *		$1 00	4 63	40562
Investment Series *		$1 00	4 53	40563

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB REGULATED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Swedish krona under pressure

THE decision by the Swedish [illegible] to [illegible] interest rates by 6 percentage points to 17.5 per cent brought temporary relief to the [illegible]ening krona last week.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The D-Mark closed on Friday at SKr3.6645-60, little changed [illegible] the [illegible] prevailing earlier in the [illegible]. The view of many Swedish international companies is that with such a tight monetary policy the government will [illegible] sort of damaging devaluation forced upon Finland.

The recently-elected government in Sweden will [illegible] hoping [illegible] its multi-nationals are correct. [illegible] industry [illegible] certainly not as dependent upon the collapsing Soviet [illegible] as Finland; and [illegible] is not the [illegible] disenchantment among exporters about the krona being pegged at too high [illegible] level against the Ecu.

Nevertheless, [illegible] long [illegible] Sweden remains outside the ERM it will continue [illegible] popular target [illegible] currency speculators. Over the p[illegible] th[illegible] weeks the Swedish central bank has spent almost [illegible] quarter of its reserves *keeping the* [illegible] *its* self-imposed 1½ per cent band against the Ecu.

The Norwegian [illegible] even less [illegible] Finnish [illegible]. But on Friday, [illegible] markets scented panic when the Norwegian Finance *Ministry was forced* [illegible] *say that* [illegible] will not [illegible] devalued just [illegible] market [illegible] rose by one point to 11 per cent.

The "Finnish disease," as Mr Carl Bildt, the Swedish prime minister recently put it, is in danger of spreading [illegible] countries in the [illegible] Scandinavia.

£ IN NEW YORK

Dec.6	Close	Previous Close
£ Spot	1.8160-1.8170	1.7970-1.7980
1 month	0.88-0.85pm	0.84-0.82pm
3 months	2.64-2.61pm	2.55-2.52pm
12 months	9.73-9.63pm	9.53-9.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.6	Previous
8.30 am	[illegible]	90.6
9.00 am	[illegible]	90.6
10.00 am	[illegible]	90.6
11.00 am	[illegible]	90.6
Noon	[illegible]	90.6
1.00 pm	[illegible]	90.6
2.00 pm	[illegible]	90.6
3.00 pm	[illegible]	90.6
4.00 pm	[illegible]	90.6

CURRENCY MOVEMENTS

Dec 6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.8	-21.1
U.S Dollar	62.2	-14.7
Canadian Dollar	104.5	+2.7
Austrian Schilling	110.4	+12.4
Belgian Franc	112.3	-1.5
Danish Krone	109.4	+3.4
D-Mark	119.8	+25.8
Swiss Franc	109.9	+17.9
Dutch Guilder	115.2	+16.8
French Franc	103.4	-12.7
Lira	98.9	-19.9
Yen	140.5	+75.2

Morgan Guaranty [illegible] average [illegible] Bank of England index (Base [illegible] 1985=100). **Rates are for Dec.5

FINANCIAL TIMES STOCK INDICES

	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Nov 29	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.70	86.54	86.22	85.98	85.90	86.04	87.94	82.17	127.4	[illegible]
Fixed Interest	96.68	96.34	96.03	95.84	95.78	95.68	97.17	90.59	105.4	[illegible]
Ordinary	1802.8	1822.4	1839.5	1836.3	1831.5	1840.1	2108.3	1606.3	2108.3	[illegible]
Gold Mines	163.5	163.9	168.1	168.9	170.9	171.4	222.8	127.0	734.7	43.5
FT Act All-Share	1148.49	1156.71	1166.58	1168.15	1164.78	[illegible]	1284.07	987.48	1284.07	[illegible]
FT-SE 100	2388.7	2407.0	2423.8	2420.2	2414.9	2420.2	2679.6	2054.8	2679.6	[illegible]
FT-SE Eurotrack 100	1041.38	1050.13	1058.20	1056.25	1047.98	1062.86	1165.54	900.45	1165.54	[illegible]
FT-SE Eurotrack 200	1086.91	1096.92	1105.53	1101.90	1093.16	1107.23	1198.60	938.62	1198.60	[illegible]

*Corrected.

LONDON SHARE SERVICE

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk's ch'nge	Div net	Dividends paid	Mkt capEm	Last xd	City line
Sphere Inc		19	−2.6	3.87	MyAuNvFe	23.8	28.10	4278
Zero Div Pf		68¾	−1.5	—	—	89.6	—	5227
Warrants		3	−7.7	—	—	0.36	—	6078
Strata		145	−1.4	1.32	Feb	22.1	31.12	4127
Stratton		148	−3	1.86	Jun	18.4	3.8	4128
TR City of Lon		110¾	−9	4.56	FeMyAuNv	211.8	14.10	4271
TR Euro Growth	s	98	−4.3	1.6	Oct	38.1	16.9	—
Ptg Sab	s	56	—	1.6	Oct	2.83	16.9	—
TR Far East Inc		78xd	—	4.2	ApJyOcJa	36.2	25.11	4288
Warrants		16	−5.9	—	—	1.48	—	—
TR High Inc	H	184	—	8.8	ApJyOcJa	22.5	14.10	2807
Sub	9	34	—	1.5	Jul	0.96	1.7	2808
TR Pacific		67	—	0.25	Apr	44.8	11.3	4591
TR Prop		27	−1.8	1.45	[illegible]	78.8	17.6	4282
TR Smaller		136	−1.4	3.7	Mar Sep	242.4	12.8	4285
TR Technology	s	35	—	1.75	Aug	15.6	15.7	4282
Stepped Pf		48½	−1.6	5.61	Dec Jun	38.4	11.11	4889
Zero Pf		133½	−.6	—	—	118.2	—	4988
Temple Bar	†	249	−1.6	11.9	Sep Mar	142.5	29.7	4191
6pc 2002		£111½	—	Q6%	Jan Aug	25.5	12.8	4189
Temple Em Mkts	as	165	−1.2	0.78	Sep	61.8	29.7	4990
Warrants		68	—	—	—	3.94	—	—
1pc Cv 2001		£182½	−.6	Q1%	Apr Oct	—	14.10	4928
Thornton Asian		59	−1.7	0.5	Jun	58.0	29.4	5842
Warrants		11	—	—	—	2.20	—	5194
Thornton Pan Euro		27	—	0.87	Jun	4.65	20.5	2123
Warrants		6	—	—	—	0.16	—	—
Throg Dual Inc		101	—	8.76	Nv Ap Jy	78.7	14.10	4218
Cap		349	1.5	—	—	12.8	—	4218
Throgmorton		48½	3.1	2.15	Aug Apr	138.8	29.7	4221
Warrants		15	—	—	—	3.88	—	4222
Throg USM		108	−1.0	3.65	Apr	17.3	11.3	5085
Warrants		16	—	—	—	0.64	—	—
Tor Inc		485	−3.6	38.0	JaMyJyDe	18.2	30.9	4257
Cap		645	−2.3	3.9	Nov	16.2	30.9	4256
Tribune		225	−3.4	4.9	Apr Aug	115.2	29.7	4362

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie on a weekly basis.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES - Cont.

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

‡‡Ivernia West IE		49	−6.5	—	—	—	—	—
‡‡Kells Minis IE		36	−2.6	—	—	—	—	3741
‡Kenmare		7xd	7.7	—	—	—	—	1459
‡‡Navan Res IE	n	16	−11.1	—	—	—	—	1166
Northgate Expl C$	s	61	−7.3	—	—	—	10.77	—
North West Expl A$		6	—	—	—	—	—	—
Oryx Gold S		123	0.8	—	—	—	—	3666
‡‡Ovoca Gold IE		10	−9.1	—	—	—	—	1470
Plateau		10	—	—	—	—	—	3407
RTZ		470	−7.0	19.5	1.7	Dec Jul	16.9	3880
¥Thorco Res		6½	—	—	—	—	—	—
‡Vizcaya		2½	—	—	—	—	—	4160
¥Western & Pac C$		20	−14.9	—	—	—	—	—
‡Young Grp		106	−1.9	8.2	1.8	May Oct	2.9	6009

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-[illegible] Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend [illegible] on "maximum" distribution [illegible] gross dividend [illegible] after taxation, exc[illegible] losses but including [illegible] of offsettable A[illegible] are published on Tuesdays-Saturdays except for Invest[illegible].

- ■ Indicates the most active [illegible] includes UK [illegible] where transactions and prices [illegible] through the [illegible] Exchange Automated [illegible] and non-UK [illegible] which are quoted on SEAQ Internat[illegible]
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or de[illegible]
- ‡‡ Tax-free to non-residents on applica[illegible]
- ♦ Figures or report awaited
- ¥ Not officially UK listed; dealings per[illegible] under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to [illegible] degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or [illegible] cover [illegible] to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment: Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend [illegible] on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been m[illegible] the FT Share Information Service

Addition: Antares (S[illegible] Oil & Gas)

Deletions: Precious [illegible] Tst (Investment Trusts) Rockware (Packaging, Paper & Printing)

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		33xd	1.1	$1.00	FeMyAuNv	9.10	1503
♥Allegheny & W		208p	15.0	30c	—	—	—
Amdahl		718pxd	0.8	10c	NvMrJeAu	31.1	—
Amer Cyanamid		81¼	0.6	$1.50	MrJeSeDe	27.2	—
Amer Express		19⅜xd	−2.6	$1.00	FeMyAuNv	1.10	1594
Amer T & T		29⅝xd	1.2	$1.32	FeMyAuNv	27.3	1597
Ameritech		34½	0.7	$3.48	FeMyAuNv	28.3	—
BankAmerica		17¾xd	0.5	$1.20	FeMySeDe	18.11	1744
Bankers NY		34⅞xd	−2	$1.82	ApJyOcJa	27.9	1745
Bell Atlantic		24⅞xd	−2.9	$2.52	FeMyAuNv	4.7	—
BellSouth		25¾	−1.8	$2.76	FeMyAuNv	6.4	—
♥Bethlehem Steel		6¾xd	1.9	40c	MrJeSeDe	6.2	1821
Bowater		1078p	−5.7	$1.20	OcJaApJy	6.6	1884
CPC		47⅛xd	3.7	$2.00	JaApJyOc	26.9	2263
California Engy		828p	1.2	—	—	—	—
Campbell Soup		44¼xd	−.1	$1.40	OcJaApJy	4.1	2050
Chase Manhattan		8¼	−8.7	$1.29	FeMyAuNv	30.10	2109
Chrysler		6½xd	−1.9	60c	ApJyOcDe	11.9	2185
Citicorp		5¾xd	−8.2	—	—	23.10	2141
Colgate–Palm		24xd	1.1	$1.06	FeMyAuNv	22.10	2184
Cont'l Bank		488p	−6.2	60c	DeMrJeSe	31.5	—
Dana		14xd	−1.3	$1.60	MrJeSeDe	25.11	2306
Data General		821p	−3.6	—	—	—	—
Dial		25½xd	−4.1	$1.40	JaApJyOc	30.5	2778
Dun & Brad		27⅞	—	$2.10	MrJeSeDe	13.2	—
Eaton		31¼	−2.7	$2.20	—	2.2	2410
Echlin		6⅛xd	3.2	70c	JaApJyOc	1.7	3046
FPL		19½xd	—	$2.48	MrJeSeDe	28.11	—
Fluor		20⅞xd	−2.0	32c	JaApJyOc	19.9	2609
Ford Motor		13¼xd	−2.8	$1.60	MrJeSeDe	28.10	2615
Gen Elect		34¾xd	−5.8	$2.04	JaApJyOc	4.12	2675
♥General Host		416p	6.4	34c	—	13.12	—
Gillette		25xd	3.6	82c	MrJeSeDe	24.5	2695
Hasbro		10½	−3.7	24c	JaApJyOc	1.6	—
Honeywell		33¼xd	2.5	$1.88	MyJeSeDe	25.11	2919
Houston Inds		22⅞	−1.6	$2.98	MrJeSeDe	10.11	—
IBM		50⅛xd	−5.6	$4.84	MrJeSeDe	5.5	2986
Ingersoll–Rand		24⅞xd	−5	$1.22	MrJeSeDe	18.11	2979
Lockheed		23⅞xd	−3.8	$2.00	MrJeSeDe	18.2	—
Lowe's		1502p	−3.8	68c	JaApJyOc	11.7	—
Man Hanover	♦	13⅜xd	−4.1	$3.28	JaApJyOc	28.9	3279
Merrill Lynch		27⅛xd	−.5	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		35⅝xd	5.0	$1.98	JaApJyOc	18.9	3418
Morris (Philip)		38¾xd	0.8	$2.10	JaApJyOc	11.9	5161
NYNEX		41⅜	−3.4	$4.56	FeMyAuNv	27.9	4740
♥Pac Agric		28½p	—	—	—	—	—
Pall	h	19½	−4.3	44c	FeMyAuNv	24.1	—
Pennzoil		31⅝xd	−4.2	$3.00	MrJeSeDe	25.11	3630
Quaker Oats		38¾xd	1.0	$1.72	JyOcJaAp	24.7	3738
Rockwell		13⅝xd	−3.8	92c	MrJeSeDe	13.11	3847
Rep NY		22⅝	1.4	$1.00	JaApJySe	10.9	3814
Sears, Roebuck		19¼xd	−2.8	$2.00	JaApJyOc	25.11	5191
Sthwestern Bell		31⅝xd	−3.1	$2.84	—	4.7	—
Sun Co		14¾xd	−3.7	$1.80	MrJeSeDe	6.11	4135
Tenneco		20⅝xd	6.5	$1.60	MrJeSeDe	5.11	—
Texaco		33⅝xd	−6.8	$3.20	MrJeSeDe	6.11	4200
Texas Instr		16⅝xd	−3.0	72c	JaApJyOc	30.8	5033
Time Warner		44¼xd	−4.5	$1.00	MrJeSeDe	3.12	4234
TRINOVA		8⅛xd	−3.8	68c	Jun Dec	11.11	4308
♥Unilab		500p	—	—	—	—	—
Utd Tech		25⅞xd	−4.6	$1.80	MrJeSeDe	19.11	4381
♥Utilitech		88p	—	—	—	—	—
US West		19⅛	−1.0	$2.08	FbMyAuNv	14.4	—
Varity		88½p	−13.4	$1.30	JaApJyOc	11.77	—
Waste Manage		21⅛xd	1.8	44c	ApJyOcJa	18.9	4439
Whirlpool		1885p	−2.0	$1.10	MrJeSeDe	27.2	—
♥Woolworth		14⅞	−2.2	$1.08	MrJeSeDe	28.1	4540

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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4:00 pm prices December 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	4.0	16	466	12¼	11⅞	12	-⅛
22⅞	14½	A L Labs A	0.16	0.8	23	307	21	20¾	21	
55¾	40⅞	AMP Inc	1.44	2.7	21	1362	52⅞	52½	52⅞	-½
68⅝	44¼	AMR			11	6635	59½	58¾	59⅜	+⅛
2⅝	1	ARX			1	32	1⅛	1⅛	1⅛	+⅛
58	41½	ASA	3.00	6.0	14	606	50⅛	49⅝	49⅞	+¼
61⅛	39¼	Abbott Lab	1.00	1.7	24	3924	60½	58¾	60⅛	+1⅛
14⅝	9⅞	Abitibi Pr	0.44	3.3	18	8	13¼	13¼	13⅜	+⅛
11⅝	10⅞	ACM Gvt In x	1.28	11.3		616	11⅛	11	11⅛	
9¾	8¾	ACM GvOpp x	1.01	10.6		162	9⅝	9½	9½	-⅛
9½	8¼	ACM Gvt Sp x	1.01	10.9		287	9¼	9⅛	9¼	+⅛
11	9⅞	ACM Gvt Se x	1.28	11.8		232	10⅝	10½	10⅝	
9	7⅝	ACM Man	1.01	11.5		714	8¾	8⅝	8¾	+⅛
12⅞	11½	ACM Managd x	1.35	10.9		142	12⅜	12¼	12⅜	+⅛
7½	4¾	Acme Cleve	0.40	6.8	13	12	6	5⅞	5⅞	-⅛
6	3⅛	Acme Elect			3	z100	4⅝	4⅝	4⅝	
40	22¾	Acuson			16	1818	28¾	27¾	28⅛	-⅛
20¼	14¼	Adams Expr	1.63	9.1	0	33	17⅞	17¾	17⅞	+⅛
20⅛	17½	Adobe12Pf	2.40	13.0		19	18½	18¼	18½	
9⅛	6⅝	Adobe Res			62	1483	6⅛	d5½	6¼	+⅝
38⅞	16	Ad Micro x				117	u38⅞	38½	38½	-⅛
15¾	4⅝	Ad Micro P	3.00	19.8	75	9901	u15¾	14⅞	15¼	+⅛
5⅛	2¼	Advest Grp	0.16	3.8	6	72	4⅜	4¼	4¼	
49⅛	31⅞	Aetna Li x	2.76	7.1	72	479	39⅛	38⅞	39	-¼
10⅝	6⅝	Ahli A	0.24	2.8	77	957	8½	8⅜	8½	
20⅞	12	Ahmanson	0.88	6.1	91	192	14½	14	14⅜	+⅛
19⅞	2⅞	Aileen Inc			18	180	u19⅞	18⅞	18⅞	-⅛
74⅛	51⅜	Air Pr Cem x	1.56	2.3	15	1112	67⅞	67	67⅝	-⅛
30	18⅝	Airbne Frt	0.30	1.4	15	375	21	20⅛	20⅝	-⅜
22½	12½	Airgas Inc			98	13	20⅝	20⅝	20⅝	
15¾	10	Airlease	1.66	15.3	6	62	11½	11¼	11⅜	+⅛

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- D -

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NYSE COMPOSITE PRICES

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1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close	Chge
[illegible]	[illegible]	Xerox	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51¼	43¾	Xerox Cp P				5	51	51	51		
25¼	14¼	Xtra 1.94				25	23½	33	20		
29¾	14¼	Xtra Corp	0.72	2.6	81	84	27⅝	27¼	27⅜		+⅛
27⅞	21¼	Yankee Egy	1.80	6.2	12	41	25⅝	25¼	25⅜		+⅛
1½	⅞	Zapata			40	256	⅞	d½	½		
9⅜	5¼	ZenithElec			2	248	7⅝	7¼	7⅜		+⅛
18½	12	Zenith Nat	1.00	6.8	122	547	15	14¾	14¾		–¼
6⅝	4½	Zenix Inc	0.84	13.7		34	6¼	6⅛	6⅛		
15¼	10¼	Zero Corp	0.40	3.8	13	112	10¾	10⅜	10⅝		
41⅞	29½	Zurn Ind x	0.88	2.7	13	189	33½	32⅝	32⅝		–1⅛
13½	10¼	Zweig Fund	1.16	9.2		208	12¾	12⅝	12⅝		–⅛
10½	8½	Zweig Tot x	0.96	9.4		689	10¼	10⅛	10¼		–⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices December 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oilsten	0.24	33	118	22½	22¼	22¼	–¼
OMI Corp	0.14	8	289	7⅝	7⅜	7⅜	–⅛
Pall Corp	0.44	24	2500	34¾	33¾	34	–1
Pegasus G		7	598	12½	12¼	12½	+⅛
Perini		8	24	9⅜	9¾	9¾	–⅛
Pet HKP x	0.31	7	38	11	10½	10½	–⅛
Phil LD x	0.16	12	1282	u31⅛	29½	30¾	+¾
Pitway A x	1.10	12	8	28⅝	28½	28⅝	+⅛
Ply Gem	0.12	117	41	8⅜	8¼	8¼	+⅛

[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices December 6

[illegible]

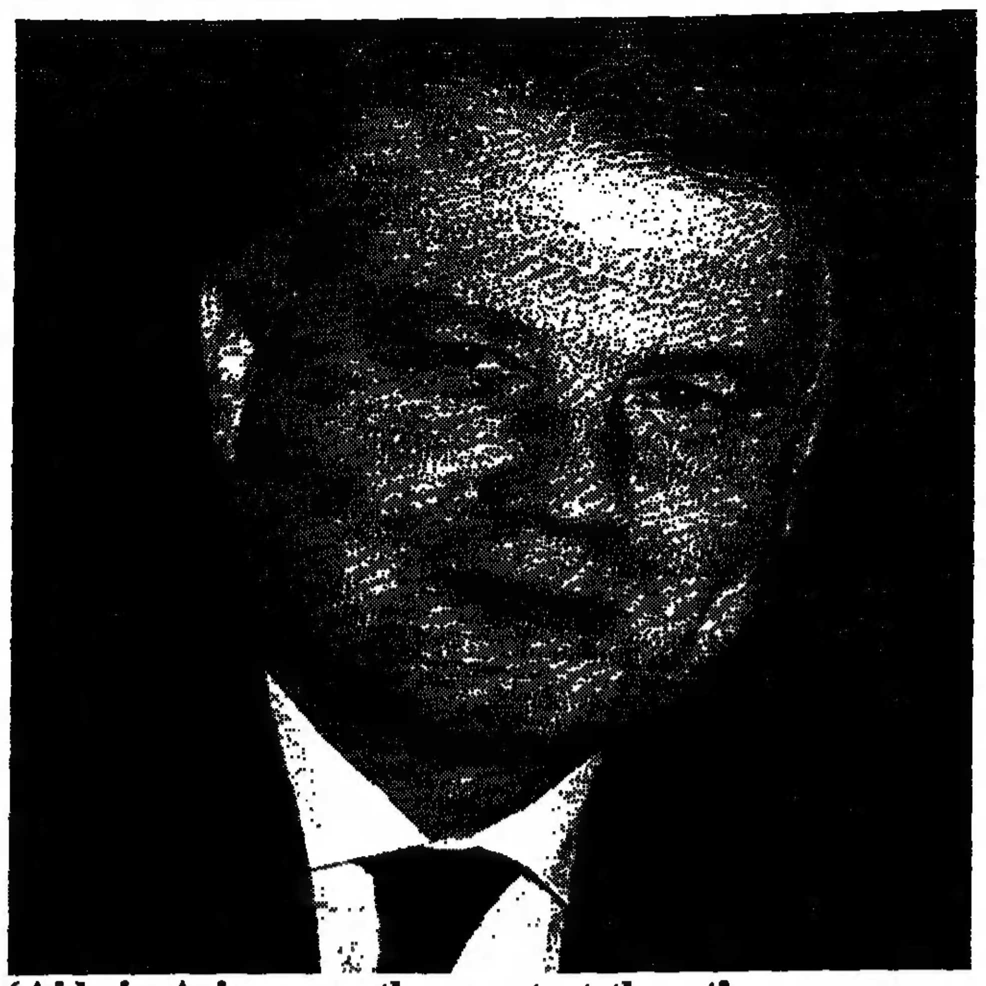
- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	2717	28	27	27¼	–¼
XL Data		31	89	10½	10⅜	10⅜	
Xoma Corp		11	13672	20	18¾	19½	+1
Yellow Fr	0.94	84	4990	26	25⅜	25⅜	–⅜
York Rsch		56	2487	7⅛	6⅝	6¾	–¼
Zions Utah	1.44	8	103	41¼	39½	39½	–¾

MONDAY INTERVIEW

Fighting to clear the Aids 'fog'

Professor Luc Montagnier, Europe's top researcher into the disease, talks to **Clive Cookson**



Professor Luc Montagnier, Europe's leading Aids researcher, feels excited again, as excited as in 1983 when he led the French team that discovered HIV, the virus that causes the disease.

The years after that were frustrating – *on a personal* level because of his prolonged dispute with Dr Robert Gallo of the US National Institutes of Health (NIH) over who first identified the virus, and on a scientific level because the disease turned out to be far more complex and difficult to understand, let alone cure, than anyone had imagined.

But the past few months have been a period of enlightenment for Prof Montagnier. *Results from his own labora*tory at the Institut Pasteur in Paris and other European research centres are leading to a new understanding of Aids – an understanding that will not only benefit Aids patients but also help people suffering from other disorders of the immune system, such as multiple sclerosis.

Indeed he says Aids research is beginning to shed light on one of the greatest mysteries of medicine, the ageing process. "I'm impressed by the way young people with Aids have a syndrome which at the end resembles accelerated ageing."

*At the same time Prof Mon*tagnier has emerged from the dispute with Dr Gallo as the undisputed discoverer of HIV. Investigations in the US revealed that the virus "identified" by Dr Gallo was actually Prof Montagnier's virus. The French group had sent a sample of its virus to the US in 1983 and it somehow contaminated Dr Gallo's cell cultures.

The US government trumpeted the NIH "discovery", prompting an almighty Franco-American row. The hostility is only now beginning to cool as the NIH has come to finally acknowledge that the French team had indeed discovered the virus first.

Prof Montagnier has the formal and reserved manner that is characteristic of senior French scientists – and a complete contrast to the loud and loquacious Dr Gallo. He clearly has strong feelings about the American whose name was for several years linked with his as co-discoverer of the Aids virus, but prudence prevents him expressing them in public.

What he will say is that the Gallo-Montagnier affair "has given a bad image of Aids research to the public. It could have been different if the personality of Gallo and his co-workers had been different. No one will ever know what happened in Gallo's laboratory but I hope that the inquiries going on [at NIH] will give us some clues. Not only for myself but also for the sake of the ethics of science. It is important to find out the truth."

Prof Montagnier's official job – head of the viral cancer research unit at the Institut Pasteur – has not changed since 1972. But his spacious office in the institute's new Aids research building, opened last spring, shows his real status. It would be fitting accommodation for the director of a large company: an extensive suite of grey and black office furniture still smelling of new leather, a silky soft carpet of the palest grey colour, and modern paintings on the walls.

Yet Prof Montagnier has managed to remain primarily a working researcher, not a scientific politician or administrator. "I'm 120 per cent involved in Aids research," he says. His conversation becomes most animated when he talks about the latest research which is beginning to dispel the "fog" of scientific confusion around Aids.

The general conclusion is that Aids is not simply a viral disease caused by HIV, in the way that influenza is caused by the flu virus. "I'm a virologist by training but I'm doing more and more immunology, because Aids is a complex disease in which there is a combination of infectious and immunological factors," he says.

HIV does not destroy the immune system directly by infecting and killing cells, as scientists originally believed. The virus itself destroys fewer than one in 1,000 of the T-cells, the vital immune cells whose loss makes Aids patients susceptible to the secondary infections that eventually kill them.

To use one of Prof Montagnier's analogies, HIV is like an arsonist lighting a fire. The cellular conflagration then depends on "co-factors" – other viruses and bacteria which throw petrol onto the flames.

How HIV primes T-cells for premature death is not yet known. Proteins on the virus surface may send a suicide signal to the cells without infecting them directly. There is also evidence that "super-antigens", triggering a huge immune response, are involved. "My idea is that the super-antigen does not come only from the HIV but also from other germs and from small bacteria called mycoplasma," he says.

This year's discoveries, most of which have been made in

'Aids in Asia poses the greatest threat'

European rather than the better funded US laboratories, promise to lead to a cornucopia *of new Aids drugs. But Prof* Montagnier wants the pharmaceutical industry, which has concentrated on developing drugs aimed directly at HIV, to devote more effort to treatments that would strengthen the immune system and fight secondary infections.

At the same time he is keen to establish an international *foundation for Aids research* and education. It would complement public spending in sponsoring research in areas neglected by the "Aids establishment". One example is the role of diet in Aids. Prof Montagnier believes that diet plays an important part in determining the course of the disease – plenty of fresh vegetables and red meat can help – but such research does not interest most medical scientists and the conventional funding bodies.

The Institut Pasteur is one of scores of laboratories worldwide working on vaccines against HIV infection. Here too, Prof Montagnier says, "we're less in the fog than we were two years ago. We're beginning to see what vaccine types might work." The leading candidates are based on the virus "envelope" – proteins on the surface which provoke a protective immune response.

The mainstream approach involves developing systemic Aids vaccines which would be administered once a year by injection, like flu shot. The Institut Pasteur's distinctive project is to develop a local "mucosal" vaccine to prevent sexual transmission of HIV.

The French vaccine is expected to start clinical trials on healthy volunteers next year. If it produces a good immune response, it will be a candidate for field trials which the World Health Organisation plans to hold in four developing countries during the mid-1990s.

But Prof Montagnier's strongest message about Aids research is that it is not just about Aids. It should concern even those people who believe that they are at no risk of HIV infection and are too self-centred to be moved by the human tragedy of Aids. (The WHO's latest "*conservative*" *projec*tion is that by 2000 the virus will have infected 30m-40m people and 12m-18m will have developed Aids.)

"The reason people are wrong to think Aids does not concern them personally is that the germs involved are not just the Aids virus," he says. "If there are more and more patients in the world with immune systems depressed because of Aids, that means more and more use of antibiotics. You can expect organisms to emerge that are resistant to all known antibiotics."

Prof Montagnier is warning in effect that Aids will lead to the emergence of super-germs, though he speaks English too elegantly to use scare-words like that. An early warning, he says, is the appearance of antibiotic-resistant tuberculosis in the US.

His skills lie more in research than in the media. Despite years of practice, Prof Montagnier does not seem quite at ease in the public eye. But he believes that, as the best-known Aids expert in *France, it is his duty to edu*cate the public about the disease.

Public education campaigns have not been very successful in France, he says. Young people are willing to take the chance of infection through unprotected sex with multiple partners. And Aids is widely seen as a disease of minorities. "*Some people think it's a good* way of solving the Third World's demographic problem," he says with a shudder.

But Prof Montagnier is not entirely pessimistic about the chances of changing people's behaviour. "There are some *encouraging results in places* where you wouldn't expect them, including Zaire."

Aids in Asia poses the greatest threat, he says. "In Zaire and some other African countries the rate of progress of the disease is beginning to slow *down, but in south-east Asia it* is exploding at an exponential rate."

PERSONAL FILE

1932 Born in Chabris, France.
1953-60 Scientific and medical studies in Poitiers and Paris.
1960-64 Virus research in UK with Medical Research Council.
1965-72 Head of laboratory at Institut Curie.
1972 Joins Institut Pasteur to set up viral cancer research unit.
1983 Leads team which discovers HIV as cause of Aids.
1986 Discovers a second virus, HIV-2, associated with Aids.

Bush may revive investment credits

MICHAEL PROWSE
on America

The unexpected plunge in employment last month is the clearest sign yet that the US economy is again contracting. *It will galvanise* an already anxious White House and probably result in a bolder-than-expected fiscal package next month. New incentives for industrial investment may form a central plank of policies to restore business and consumer confidence.

The 241,000 drop in non-farm payrolls was far larger than even pessimists expected and comparable with the rate of decline last winter when the economy was contracting at an annual rate of about 3 per cent. Job losses were concentrated in service industries and construction but every sector, including manufacturing, was affected. Luckily for the White House, the politically sensitive jobless rate did not rise; but this was only because the labour force shrank – hardly a *sign of economic strength.* Unemployment seems certain to rise in coming months.

After two quarters of sputtering recovery, the second leg of the recession may thus have arrived. Expect a policy response on two fronts. The Federal Reserve has already signalled a quarter point cut to 4.5 per cent in the federal *funds rate – the cost of money* in the interbank market. But this is only an opening gambit. A substantial monetary stimulus will require further cuts in the discount rate, which at 4.5 per cent provides a floor for the fed funds rate. Worries about inflation have evaporated and most economists (while disagreeing on every*thing else) favour cheaper* money. The Fed is likely to oblige partly because it wants to ward off pressure in Congress for a yet bigger budget deficit.

Fiscal policy is much harder to call if only because the *White House is still trying to* decide what to do. Senior administration officials testifying before Congress last week stressed the importance of fiscal discipline but did not commit themselves rigidly to last year's budget accord – which *stipulates that tax cuts must* be paid for by cuts in popular domestic programmes, such as *pensions for the elderly*, or tax increases.

Mr Richard Darman, the budget director, *said the first* priority had to be to restore growth. This suggests the administration is laying the ground for a partial retreat from the budget agreement in President George Bush's State of the Union address next *month.* Mr Bush probably recognises he cannot do much to influence growth in the near term but feels he must *make a* bold fiscal gesture if he is to appear caring and competent in an election year.

If Mr Bush's new White House team wants to make a splash, however, it must do more than warm up old policies. *It needs a "big idea"* that will convince voters the president has taken charge of economic events. The likeliest candidate is a tax credit for investment in plant and equipment.

This has numerous potential advantages. Business tax reductions are more easily reversed than income tax cuts, yet *look virtuous after* the consumption binge of the 1980s. By favouring capital spending, Mr Bush would appear to be addressing concerns about America's flagging "competitiveness". He would also win bipartisan support on Capitol *Hill where investment* invokes nearly as much respect as motherhood.

The White House would probably not attempt to resurrect the old Investment Tax Credit (ITC) – abolished in 1986 – in what now looks like *a doomed attempt* to create a level fiscal playing field. Originally introduced by the Kennedy administration, the ITC provided a flat 10 per cent sub*sidy and would cost more than* $30bn.

The way to maximise the impact of new measures would be to make them temporary and applicable only to incremental investment – say capital expenditure in excess of a company's average spending for the past three years. Structured this way, a 10 per cent *credit might cost no more than* $10bn. Yet because the fiscal window of opportunity would be brief – say one year – *it* might have a big impact on corporate behaviour. British readers will recall how Mr Nigel Lawson, the then chancellor, successfully stimulated capital spending in the mid-1980s by putting a time limit on *investment allowances.* As in the UK, however, some of the benefits would leak away in higher imports of capital equipment.

Tax measures, of course, have to be negotiated with the Democrat-controlled Congress. *Leading* Democrats such as Mr Richard Gephardt, the majority leader in the lower house, have stressed *that any package* must include tax reductions for middle-income Americans. The White House will not attempt to swim against this tide but will try to finance the relief by means-testing social benefits rather than raising taxes on the rich – *a strategy the Dem*ocrats will probably thwart.

Mr Bush must also placate conservative Republicans: he is thus certain to propose a cut in capital gains taxes. Enthusiasts see this as a way of shoring up asset values and bolstering *confidence*, but it could merely prompt a wave of asset sales, putting downward pressure on the prices of houses and other assets.

The final shape of tax legislation is unpredictable in an election year. Unfortunately there is *a strong chance* that no measures will be agreed quickly enough to have much influence on this recession. The irony is that, having tightened fiscal policy after the recession had begun in the autumn of 1990, Congress and the White House may succeed in cutting taxes only when the recovery is getting under way.

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JOTTER PAD

An end to a British conceit

IAN DAVIDSON
on Europe

It is too late, and too soon, to make last-minute assessments of the European Community summit which opens today in Maastricht. Too late, because by tomorrow evening we shall know more than we can make sense of. Too soon, because the full meaning of the agreement will not become apparent for many months, or even years.

But we can be sure in advance that on one point there will be unanimity between supporters and opponents of European integration alike – that the treaty being negotiated will mark an epic watershed in the history of Europe.

With that point of agreement, however, all agreement ends. The approach of Maastricht has prompted, in Britain at least, the most comprehensive, the most extensive and the most impassioned national debate on the pros and cons of the Community *enterprise* ever staged in any member state.

The opponents of far-reaching Community integration see themselves as hard-headed realists in conflict with light-hearted utopians. But the argument really lies between reformers and conservatives, between optimists and pessimists. Anti-integrationists are pessimists who predict that a new arrangement must bring disaster; but their fears are *so powerful* that they lose all touch with hard-headed realism.

Take the *contentious* issue of the transition to phase three of economic and monetary union, *some time in the late 1990s*, which will open the door to a single European currency. Most of the member states want a juridically binding commitment to a single European currency; whereas *the British* government wants a specific let-out clause, ideally available to all.

This argument is either make-believe, or poetry, or politics; call it what you will. Only the realists take it literally; therefore they must have lost touch with reality.

Whatever the treaty says, *the political fact is that Emu is* an evolving process, which cannot be pre-empted in advance. *On the day, the deci*sion to give up national currencies will be made by the conscious and voluntary choice of each of the individual governments then in power; or it will not be made at all. If the French government of the day has a nationalistic revulsion against a single currency, does anybody seriously imagine a posse of grey suits coming down from Brussels to take over the Bank of France?

If France and Germany demand a treaty with a binding commitment, it is not that *future compliance can really* be enforced in juridical terms; but that a treaty commitment is an incapsulation of a serious political commitment to a desired objective.

Or take the vexed issue of a common European foreign policy. Most member states want a commitment to an increasingly common foreign policy, with some element of majority voting. In theory, the UK is in *favour of common action in* foreign policy, provided, of course, that any government can break loose at any time, and carry out its own national policy as it sees fit; and it shies at the idea that any bit of foreign policy could be decided by majority vote.

This argument, too, is really about underlying intentions, *expressed in quasi-poetic* terms; it appears the British have quite different intentions, and do not care for the poetry.

It is well-nigh impossible, for example, to imagine the wording of a majority vote on the instructions to be given to Lord Carrington in the Yugoslav crisis. So if there is some provision for majority voting *in foreign policy, it can hardly* be because it is intended to be taken literally, but rather *because it is a political symbol* of a serious commitment to act together. Whereas the British opposition to majority voting is a symbol of a political desire to resist collective action.

One consequence of the Maastricht watershed will be the precipitation of a far-reaching debate on the constitutional adequacy of the political institutions of the member states. Indeed, we may yet find *that the discipline* and the collective action of the Community will compel member states to introduce *desirable* constitutional reforms which they would never have introduced on their own initiative.

Understandably, the Maastricht negotiations have been concerned exclusively with the internal equilibrium of the institutions of the Community; and one of the central themes has been the question of democratic accountability and the powers of the European Parlia*ment. But the main political* stresses of integration will continue to be felt at the national level, and some of the national political institutions clearly need overhauling.

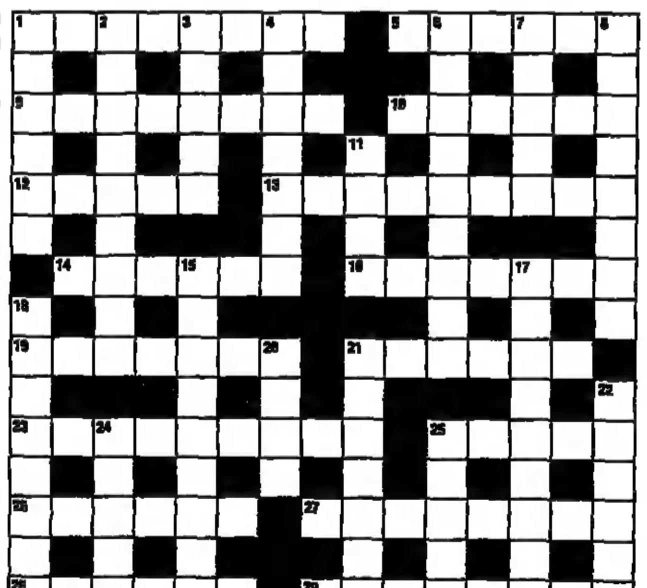
In France, for example, the political machinery of the Fifth Republic is in serious disarray. President François Mitterrand has been able to force the pace *of the Maastricht negotiations* because of his exceptional powers under the 1958 constitution. But once the treaty is signed, it will be urgent to restore the powers and the respectability of the parliament if France is to have the stability needed to handle the strains of the new Europe.

The constitutional reforms *needed in Britain are equally* far-reaching, but of an opposite kind. If the Maastricht treaty *enshrines* the principles of devolution and subsidiarity, then Britain must permit the independent existence of lower levels of government; authoritarian centralism will no longer be acceptable.

But that is not all. The Maastricht treaty must bring to an end the idiosyncratic British conceit that the House of Commons is omnipotent, however unrepresentative. In that case, the time will finally have arrived *for serious* consideration of the need for a proper constitution, with adequate *protection for the* basic human rights of the people of Britain. For such a prize, even the pessimists should be reconciled to the European Community.

CROSSWORD

No.7,719 Set by DANTE



ACROSS

1 Such a seat may have MPs on edge (8)
5 See me backing horse entered in Derby, for example (6)
9 Collector of items for a rainy day (5-3)
10 Fast, the Italian's pulse (6)
12 A nut-case? (5)
13 I'm beaten and confined (9)
14 Put down a whisky (6)
16 Husband shows reticence (7)
19 Could be bad sign for the corporation (7)
21 Romeo's dispositions melancholic (6)
23 I'm open about one for those who hate waiting (9)
25 Wet ring, perhaps, left to dry (5)
26 Busy tenant (6)
27 Chairman of North Sea organisation (8)
28 Pray when on board jets (6)
29 Secret coteries, perhaps (8)

DOWN

1 Plant not delicate but possibly sensitive (6)
2 Disowned tear-about member of the cat family (9)
3 Fifty idly knock up a poem (5)
4 A toss-up is hard to stop (7)
6 He's the one we're after! (9)
7 Recorded Edward as missing? (5)
8 Mother joins other females making complaints (8)
11 Mast bearing standard (4)
15 When it is, the creditor may not allow it (4,2,3)
17 We put up a list about perfume (4,5)
18 Porters join arts organisation (8)
20 They disapprove of one's make-up (4)
21 Corresponds with redheads? (7)
22 Where doctors acquire their bedside manner? (6)
24 Trend-setter in wild caper (5)
25 Card that's sweet about love (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 21.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bak	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	UniBank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

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